



TIAN CHANG GROUP HOLDINGS LTD.
天長集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2182

Global Offering

Sole Sponsor



Sole Global Coordinator and Sole Bookrunner



Joint Lead Managers



IMPORTANT

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



TIAN CHANG GROUP HOLDINGS LTD.

天長集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	155,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Public Offer Shares	:	15,500,000 Shares (subject to re-allocation)
Number of International Placing Shares	:	139,500,000 Shares (subject to re-allocation and the Over-allotment Option)
Maximum Offer Price	:	HK\$0.75 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund on final pricing)
Nominal Value	:	HK\$0.10 each
Stock Code	:	2182

Sole Sponsor



Sole Global Coordinator and Sole Bookrunner



Joint Lead Managers



Co-managers



利盟證券有限公司
Grand Partners Securities Limited

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 to it the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection – 1. Documents delivered to the Registrar of Companies" in Appendix VII to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this Prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 1 March 2018 and, in any event, not later than 5:00 p.m. on Friday, 2 March 2018. The Offer Price will be not more than HK\$0.75 and is currently expected to be not less than HK\$0.65 unless otherwise announced. Applicants for the Hong Kong Public Offer Shares are required to pay, on application, the maximum Offer Price of HK\$0.75 for each Hong Kong Public Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price as finally determined should be lower than HK\$0.75.

The Sole Global Coordinator (on behalf of the Underwriters) may, with our consent, reduce the number of Hong Kong Public Offer Shares and/or the indicative Offer Price range below that stated in this Prospectus per Offer Share at any time on or before the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of the Hong Kong Public Offer Shares and/or the indicative Offer Price range will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.hktcgroup.com not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (on behalf of the Underwriters) and us, the Global Offering (including the Hong Kong Public Offering) will not proceed. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Public Offer Shares".

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Prospectus, including the risk factors set out in the section headed "Risk Factors". The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to procure subscribers for or themselves to subscribe for the Hong Kong Public Offer Shares, are subject to termination by the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) if certain grounds arise before 8:00 a.m. on the day that trading in the Offer Shares is due to commence on the Stock Exchange. These grounds are set out in the section headed "Underwriting – Underwriting arrangements and expenses – Hong Kong Public Offering – Grounds for termination" in this Prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been, and will not be, registered under the U.S. Securities Act and, subject to certain exceptions, may not be offered or sold in the United States.

14 February 2018

EXPECTED TIMETABLE^(Note 1)

We will issue an announcement on the website of our Company at www.hktcgroup.com and the website of the Stock Exchange at www.hkexnews.hk if there is any change in the following expected timetable of the Hong Kong Public Offering.

Latest time to complete electronic applications through the
HK eIPO White Form service through the designated website
at www.hkeipo.hk (Note 2) 11:30 a.m. on
Wednesday, 28 February 2018

Application lists of the Hong Kong Public Offering open (Note 3) 11:45 a.m. on
Wednesday, 28 February 2018

Latest time for lodging **WHITE** and **YELLOW** Application Forms
and giving **electronic application instructions** to HKSCC (Note 4) 12:00 noon on
Wednesday, 28 February 2018

Latest time to complete payment of **HK eIPO White Form** applications
by effecting internet banking transfer(s) or PPS payment transfer(s) 12:00 noon on
Wednesday, 28 February 2018

Application Lists of the Hong Kong Public Offering close (Note 3) 12:00 noon on
Wednesday, 28 February 2018

Expected Price Determination Date (Note 5) Thursday, 1 March 2018

(1) Announcement of

- the Offer Price;
 - the level of indication of interest in the International Placing;
 - the level of applications in the Hong Kong Public Offering;
 - the basis of allotment under the Hong Kong Public Offering,
- to be published on the website of the Stock Exchange at
www.hkexnews.hk and our Company's website at
www.hktcgroup.com on Wednesday, 7 March 2018

(2) Announcement of results of allocations in the Hong Kong
Public Offering (with successful applicants' identification
document numbers, where appropriate) to be available through
a variety of channels. (Please refer to the section headed
"How to apply for the Hong Kong Public Offer Shares –
Publication of Results" in this Prospectus) from Wednesday, 7 March 2018

EXPECTED TIMETABLE^(Note 1)

- (3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.hktcgroup.com from Wednesday, 7 March 2018

Results of allocations for the Hong Kong Public Offering will be available at www.tricor.com.hk/ipo/result with a "search by ID" function . Wednesday, 7 March 2018

Despatch of Share certificates or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on (Note 6) Wednesday, 7 March 2018

Despatch of HK eIPO White Form e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on (Note 6) Wednesday, 7 March 2018

Dealings in Shares on the Stock Exchange to commence on Thursday, 8 March 2018

The application for the Hong Kong Public Offer Shares will commence on Wednesday, 14 February 2018 through Wednesday, 28 February 2018, being slightly longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving banks on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Wednesday, 7 March 2018. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Thursday, 8 March 2018.

Notes:

- (1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this Prospectus.
- (2) Applicants will not be permitted to submit applications through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If applicants have already submitted applications and obtained a payment reference number from the designated website prior to 11:30 a.m., they will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a "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 Wednesday, 28 February 2018, the application lists will not open on that day. Further information is set out in the paragraph headed "Effect of bad weather conditions on the opening of the application lists" under the section headed "How to Apply for the Hong Kong Public Offer Shares" in this Prospectus.
- (4) Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to "How to Apply for the Hong Kong Public Offer Shares – Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this Prospectus.
- (5) The Price Determination Date is expected to be on or about Thursday, 1 March 2018, and in any event, not later than 5:00 p.m. on Friday, 2 March 2018. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on or before 5:00 p.m. on Wednesday, 7 March 2018, the Global Offering will not proceed and will lapse.

EXPECTED TIMETABLE^(Note 1)

- (6) Our Company will not issue any temporary documents of title in respect of the Shares. Share certificates will only become valid certificates of title at 8:00 a.m. on Thursday, 8 March 2018 (Hong Kong time), provided that (i) the Global Offering has become unconditional in all respects; and (ii) 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.

e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the price payable on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to a delay in encashment of, or may invalidate, the refund cheque.

Applicants who apply on **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 Hong Kong Public Offer Shares or more under the Hong Kong Public Offering and have provided all required information may collect their refund cheques (where applicable) and share certificates (where applicable) in person from our Company's Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 7 March 2018 or any other place or date as notified by our Company in the newspaper as the place or date of collection/despatch of e-Auto Refund payment instructions/refund cheques/share certificates. Identification and (where applicable) authorization documents acceptable to our Company's Hong Kong Share Registrar must be produced at the time of collection.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Public Offer Shares or more under the Hong Kong Public Offering and have provided all required information may collect their refund cheques (where applicable) but may not elect to collect their share certificates (where applicable), which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriate. The procedure for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Hong Kong Public Offer Shares is the same as that for **WHITE** Application Form applicants.

Applicants who opt for personal collection must not authorize any person to make collection on their behalf. Applicants being corporations which opt for personal collection must attend by their authorized representatives with letters of authorization of their corporations stamped with the corporation's chops (being the name of the corporations). Both individuals and authorized representatives of corporations (as applicable) must produce, at the time of collection, evidence of identity and authority (as applicable) acceptable to our Company's Hong Kong Share Registrar.

Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should see "How to Apply for the Hong Kong Public Offer Shares" in this Prospectus for further details.

Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to the application payment account, in the form of e-Auto Refund payment instructions; Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your share certificates and/or refund cheques will be despatched by ordinary post at the applicant's own risk to the address specified on the Application Form.

Uncollected Share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms. Further information is set out in the section headed "How to Apply for the Hong Kong Public Offer Shares – Despatch/Collection of Share Certificates and Refund Monies" in this Prospectus.

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IMPORTANT NOTICE TO INVESTORS

This Prospectus is issued by Tian Chang Group Holdings Ltd. solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offer Shares and does not constitute an offer to sell, or a solicitation of an offer to subscribe for or buy, any security other than the Hong Kong Public Offer Shares. This Prospectus may not be used for the purpose of, and does not constitute, an offer to sell, or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares, or the distribution of this Prospectus, in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this Prospectus and the Application Forms to make your investment decision.

We have not authorised anyone to provide you with information that is different with 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 us, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, any of the Underwriters, any of their directors, or any other persons or parties involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this Prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read this Prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a well-established provider of integrated plastic solutions in the PRC. For over 17 years, we have specialised in mould design and fabrication services as well as plastic component design and manufacturing services. Since June 2013, we have also manufactured e-cigarette products as an OEM under the brand name of “blu” which is owned by Fontem (and, before June 2015, LOEC, Inc., “LOEC”).

We primarily design and fabricate plastic injection moulds to be used in the production of plastic components utilising our in-house plastic component manufacturing process. We are able to specifically engineer and fabricate, with cavities plastic injection moulds, to shape the plastic components in accordance with the desired and customised design, features and specifications. We have the technical capabilities to fabricate moulds that meet the MT1 precision level as defined by the “National Standard of the People’s Republic of China GB/T14486-2008-Dimensional Tolerances for Moulded Plastic Parts” (《中華人民共和國國家標準GB/T14486-2008-塑料模塑件尺寸公差》), which is the highest precision level in the national guidelines. By utilising the plastic injection process and applying the plastic injection moulds fabricated by us or, in limited cases, external subcontractors, we manufacture plastic components for office furniture, office electronic products, home appliances, communication products and automobiles.

Our extensive experience and technical expertise accumulated from our integrated plastic solutions business have enabled us to develop other products and services that share similar manufacturing processes. Leveraging such experience, we successfully expanded into the manufacturing of e-cigarette products as an OEM under the brand name of “blu”. Established in 2009, “blu” has been one of the leading global e-cigarette brands. According to the Frost & Sullivan Report, “blu” was the third largest e-cigarette brand globally with 4.2% of total global market share in 2016 in terms of sales value. In terms of revenue generated from e-cigarette manufacturing in 2016, we ranked sixth with 1.2% of total market share in China while the other nine largest market players accounted for 15.7% of total market share in China, according to the Frost & Sullivan Report.

The following table sets forth our revenue by business segment during the Track Record Period.

	Year ended 31 December						Eight months ended 31 August			
	2014		2015		2016		2016		2017	
	(HK\$'000)	% of total	(HK\$'000)	% of total	(HK\$'000)	% of total	(HK\$'000)	% of total	(HK\$'000)	% of total
	(unaudited)									
Integrated plastic solutions	318,152	58.0	270,660	67.5	304,105	54.7	199,181	56.4	203,711	55.9
Manufacturing of e-cigarette products	230,527	42.0	130,518	32.5	251,456	45.3	154,140	43.6	160,743	44.1
Total	548,679	100.0	401,178	100.0	555,561	100.0	353,321	100.0	364,454	100.0

SUMMARY

OUR COMPETITIVE STRENGTHS

We believe that our historical success and the foundation for our future growth can be attributed to our principal competitive strengths as follows: (i) our proven track record in offering integrated plastics solutions, including mould design and fabrication services as well as plastic component design and manufacturing services; (ii) our entrenched relationships with high-quality customers from diverse industries; (iii) our strong research and development capability and technical expertise that facilitates our business expansion to new markets with high growth potential and good reputation; and (iv) our stable and experienced management team with in-depth knowledge and experience.

OUR BUSINESS STRATEGIES

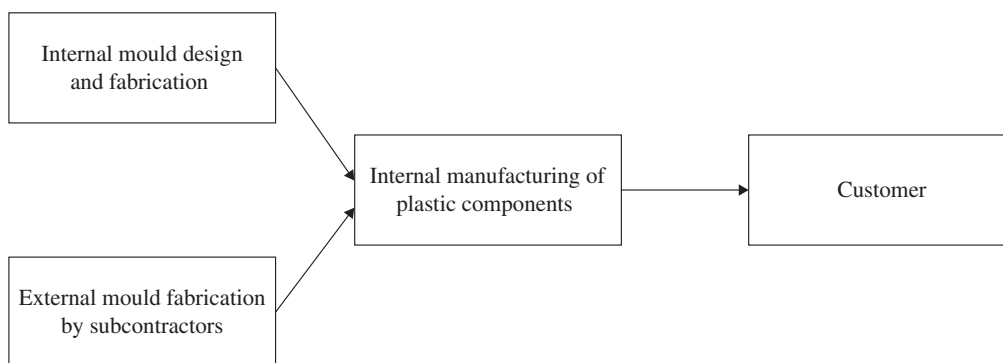
Leveraging our competitive strengths and with the business objective to become one of the leading providers of integrated plastic solutions in the PRC, we plan to pursue the following growth strategies: (i) continue to expand our customer base by focusing on strategically targeted downstream industries; (ii) further explore business opportunities from our manufacturing of e-cigarette products; (iii) continue production equipment upgrade and capacity expansion to gain economies of scale and enhance market competitiveness; and (iv) expand our research and development efforts and capabilities.

OUR BUSINESS MODEL

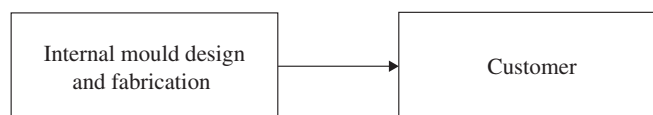
Our business can be categorised into two segments, namely (i) integrated plastic solutions; and (ii) the manufacturing of e-cigarette products.

Integrated Plastic Solutions

Since our inception in 2000, we have provided integrated plastic solutions covering (i) the design and fabrication of plastic injection moulds; and (ii) design and manufacturing of plastic components employing the plastic injection moulds fabricated internally or by our subcontractors. In general, we primarily design and fabricate plastic injection moulds to be used in the production of plastic components by our in-house plastic component manufacturing process and, to a lesser extent, for third party customers for their respective manufacturing process. Depending on the complexity of the fabrication and our fabrication capacity, we may outsource certain less technically complicated mould fabrication to third party subcontractors from time to time. The following diagram illustrates the business model of our integrated plastic solutions.



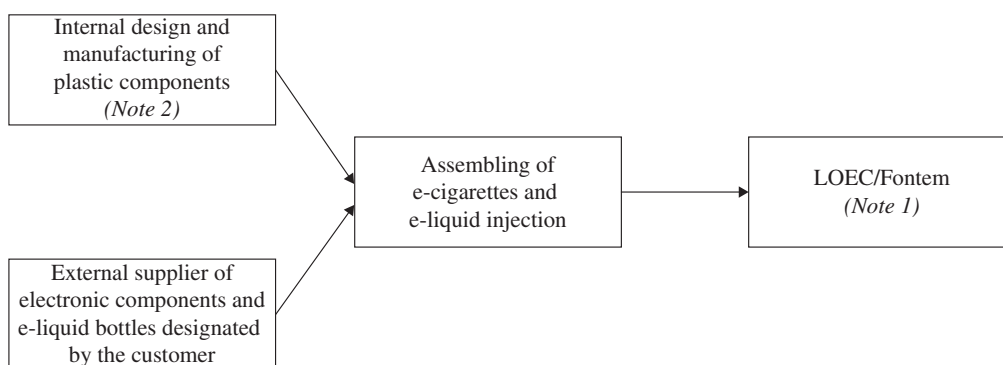
We may design, fabricate and sell plastic injection moulds to customers separately (without utilising such moulds to manufacture plastic components for customers) from time to time. The following diagram illustrates such business model.



SUMMARY

E-cigarette Product Manufacturing

Since June 2013, we have manufactured e-cigarette products as an OEM under the brand name of “blu” primarily for Fontem (and, before June 2015, LOEC). During the Track Record Period, we also sold a small amount of e-cigarette components to Supplier L, one of our five largest suppliers during the Track Record Period and a third party, both of which are Fontem’s suppliers, in accordance with Fontem’s request. For details of our relationship with Supplier L, see “Business – Customers – Relationship with Supplier L”. We are prohibited from manufacturing and selling any product that is similar or competes against the products manufactured for Fontem. For the year ended 31 December 2014, our sales to LOEC represented approximately 23.4% of its total cost of sales, based on the public available information that we can access to. However, the percentage of our sales to Fontem in its total cost of sales is not available since the total cost of sales of Fontem is not available to us. For the details of our relationship with LOEC and Fontem, please refer to “Business – Customers – Relationship with LOEC and Fontem”. The following diagram illustrates the business model for our manufacturing of e-cigarette products.



Notes:

- (1) We manufacture e-cigarette products under the brand name of “blu” primarily for Fontem, as an OEM. We do not sell e-cigarettes to individual end-user consumers.
- (2) We have developed our in-house capacity to manufacture e-liquid bottles primarily for our manufacturing of e-cigarette products for Fontem and other e-cigarette product manufacturers designated by Fontem and commenced the manufacturing of e-liquid bottles in July 2017, instead of purchasing from third party suppliers. In addition, we intend to acquire manufacturing equipment and commence the manufacturing of PCBA at the proper time taking into account customer demand as well as operating expenses.

We intend to further explore business opportunities from our manufacturing of e-cigarette products. To achieve this, we plan to diversify our product offerings by developing our own e-liquid bottles and PCBA to capture profit at multiple stages of the manufacturing process and to better control the quality of our components. In addition, we intend to expand our e-cigarette product offering to Fontem. For example, in addition to our continuous cooperation with Fontem for the existing products, we are in the process of negotiating a new cooperative development project with Fontem under which we will provide development, engineering and/or design services for Fontem for new products. We believe capitalising those business opportunities will broaden our e-cigarette product portfolio, reduce our revenue concentration, enhance our cooperative relationship with Fontem and enhance our brand name within the industry.

CUSTOMERS

Through over 17 years of development, we have maintained a balanced and diversified customer base by offering integrated plastic solutions to customers from diverse industries, and have established strong relationships with a diverse range of internationally recognised and industry-leading players. We primarily use our plastic injection moulds for our in-house

SUMMARY

manufacturing and, to a lesser extent, sell them to other overseas plastic component manufacturers. We primarily sell our plastic components to a large and diversified customer base from various industries. As of the Latest Practicable Date, our customers for integrated plastic solutions included Brother, Herman Miller, Canon and Panasonic. In addition, we sell e-cigarette products primarily to Fontem (and before June 2013, LOEC), the brand owner of “blu”.

For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, sales to our five largest customers accounted for 83.5%, 81.7%, 83.5%, 86.8% and 87.0% of our total revenue, respectively, and sales to our largest customer accounted for 42.2%, 32.6%, 45.1%, 43.8% and 44.2% of our total revenue, respectively.

Relationship with LOEC and Fontem

Since June 2013, we have manufactured e-cigarette products as an OEM under the brand name of “blu” for LOEC. In June 2015, LOEC was acquired by Imperial Tobacco Group PLC (“**Imperial Tobacco**”), and “blu” was subsequently operated by Imperial Tobacco’s subsidiary, Fontem. After such acquisition, our contract with LOEC was assigned to Fontem and we continued to manufacture e-cigarette products under the brand name of “blu” primarily for Fontem. Fontem is one of the leading e-cigarette brand owners and “blu” was the third largest e-cigarette brand worldwide with 4.2% global market share in 2016 in terms of sales value, according to the Frost & Sullivan Report. During the Track Record Period, and up to the Latest Practicable Date, we manufactured e-cigarette products under the brand “blu” primarily for Fontem (before June 2015, LOEC) as an OEM and we are prohibited from manufacturing and selling any product that is similar or competes against the products manufactured for Fontem. The manufacturing of e-cigarette products contributed a significant portion of our revenue during the Track Record Period. For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, sales to Fontem accounted for 42.2%, 32.6%, 45.1%, 43.8% and 44.2%, respectively, of our total revenue. For details of our reliance on Fontem, see “Business – Customers – Relationship with LOEC and Fontem” and “Risk Factors – Risks Relating to Our Businesses – Our manufacturing of e-cigarette products substantially relied and will continue to rely on orders from Fontem”.

Relationship with Supplier L

In accordance with Fontem’s requirements, we must procure certain raw materials or components from suppliers designated by Fontem, such as procuring PCBA from designated suppliers such as Supplier L, a PRC-based electronic products manufacturer. On the other hand, Supplier L is required by Fontem to procure plastic components it needs for its own assembling from us through our integrated plastic solution services. The terms of transactions with Supplier L are similar to those transactions with our other customers, and our sales invoices to Supplier L are standardised invoices consistent with invoices with other major customers. Starting from May 2017, we also procure PCBA from another supplier approved by Fontem in addition to Supplier L. For details of our relationship with Supplier L, see “Business – Customers – Relationship with Supplier L”.

SALES AND MARKETING

As of 31 August 2017, our sales and marketing team had 24 employees dedicated to sales of integrated plastic solutions and three employees dedicated to sales of e-cigarette products. Our sales and marketing employees are organised into customer-dedicated teams that are responsible for developing and supporting our relationships with each of our major customers. We focus our marketing strategy on maintaining our relationships with our major customers, expanding the range of products they purchase and increasing the volume of orders they placed with us. We used to pay certain sales staff commission equal to a certain percentage of their sales. We generally market and sell our products directly to our customers. During the Track Record Period, we did not sell our products through any other distribution channel.

SUMMARY

Pricing

We generally prepare our quotation based on our estimated costs to be incurred plus a mark-up margin, which will be determined based on the technical complexity, business risks, market competition, customer relationships, business potential with the customer and purchase volume of the particular purchase order.

PROCUREMENT

Our procurement department sources raw materials and components, invites quotations, conducts price evaluation and negotiation, undertakes procurement of materials and equipment, and allocates resources and aligns demands for our manufacturing. Some customers, such as Fontem and Brother, require us to procure certain raw materials or components from designated suppliers. Our principal raw materials and components include (i) mould base and steel from Sweden, Germany and China for the mould fabrication, (ii) plastic resins from Taiwan, Japan, Thailand, the United States and China for the manufacturing of plastic components, and (iii) plastic resins, e-liquid, PCBA and steel from the United States, Hong Kong, Japan and China for the manufacturing of e-cigarette products. For details, see “Business – Procurement”.

PRODUCTION FACILITIES

As of the Latest Practicable Date, we owned properties with a total GFA of approximately 125,751.0 sq.m. in Huizhou, Guangdong province, the PRC, being our manufacturing site in Huizhou and leased properties with a total GFA of approximately 41,648 sq.m. in Shenzhen, Guangdong province, the PRC, being our manufacturing site in Shenzhen. See “Business – Production Facilities and Production Capacity – Production Facilities” and “Business – Properties”. In addition, we had custom-built Class 10,000 clean rooms in compliance with ISO14644 occupying a GFA of 1,756 sq.m. installed with equipment for the manufacturing of e-cigarette products and coating process for plastic components. Our manufacturing equipment was manufactured by famous Japanese manufacturers such as Makino, Sumitomo and Toshiba and European manufacturers such as Zeiss. For details of our manufacturing equipment, see “Business – Production Facilities and Production Capacity – Equipment”.

Equipment Upgrade and Capacity Expansion

We completed the construction of phase II of our new site in Huizhou in February 2018 and expect to complete the leasehold improvement by the first half of 2018. In addition, we plan to purchase approximately 49 sets of plastic injection machines to replace older machines with an average age of 14.3 years that have exceeded their expected life span. Further, we intend to upgrade our manufacturing equipment for the mould fabrication and PET production to new models by acquiring new production lines to be installed in phase II of our new site. We expect our estimated production capacity for PET production to increase by 5,491 hours by the third quarter of 2018 and our estimated production capacity for mould fabrication to increase by 5,491 hours by the end of 2018. We intend to install our manufacturing equipment in phase II of our new site in Huizhou after we complete the construction and leasehold improvement. Our estimated capital expenditures from 1 September 2017 to 31 December 2018 amount to HK\$99.2 million, which will be funded with the proceeds of the Global Offering and our internal resources. For details of our production equipment update and capacity expansion plan, see “Business – Production Facilities and Production Capacity – Equipment Upgrade and Capacity Expansion”.

SUMMARY

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Global Offering, Oceanic Green, New Strength, Gold Alliance, New Straits, Treasure Line and Flaming Sapphire will be legally and beneficially interested in an aggregate of 75% of the Shares in issue (assuming the Over-allotment Option is not exercised). Oceanic Green, New Strength, Gold Alliance, New Straits, Treasure Line and Flaming Sapphire are directly and wholly owned by Mr. Chan. Accordingly, Mr. Chan will, indirectly, through his holding companies, own a total of 75% of the issued shares of our Company. Accordingly, Mr. Chan, Oceanic Green, New Strength, Gold Alliance, New Straits, Treasure Line and Flaming Sapphire will together be considered as our Controlling Shareholders upon Listing. Save as disclosed in “Relationship with our Controlling Shareholder” in this Prospectus and except for their respective interests in our Company, each of the Controlling Shareholders confirms that he/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our Group’s business upon Listing. For details, see “Relationship with our Controlling Shareholders”.

SUMMARY OF COMBINED FINANCIAL INFORMATION

Selected Combined Statements of Comprehensive Income Data

The following table sets forth selected combined statements of comprehensive income for the periods indicated.

	Year ended 31 December			Eight months ended 31 August	
	2014	2015	2016	2016	2017
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
				<i>(unaudited)</i>	
Revenue ⁽¹⁾	548,679	401,178	555,561	353,321	364,454
Cost of goods sold	(407,831)	(304,058)	(427,386)	(273,633)	(281,889)
Gross profit ⁽²⁾	140,848	97,120	128,175	79,688	82,565
Integrated plastic solutions	69,508	57,215	51,565	32,772	33,940
Manufacturing of e-cigarette products	71,340	39,905	76,610	46,916	48,625
Gross profit margin ⁽²⁾	25.7%	24.2%	23.1%	22.6%	22.7%
Integrated plastic solutions	21.8%	21.1%	17.0%	16.5%	16.7%
Manufacturing of e-cigarette products	30.9%	30.6%	30.5%	30.4%	30.3%
Profit for the year/period ⁽³⁾	52,636	17,761	33,857	16,075	3,010

Notes:

- (1) The fluctuation in our revenue in 2015 and 2016 was primarily due to the decreased customer orders for our e-cigarette products from Fontem (and before June 2015, LOEC) in 2015 associated with Imperial Tobacco’s acquisition of LOEC in 2015.
- (2) The fluctuation in our overall gross profit and gross profit margin during the Track Record Period was primarily due to the fluctuation in the revenue we generated from manufacturing of e-cigarette products, which generally enjoys higher gross profit margin as compared to that of integrated plastic solutions, as well as the relatively lower gross profit margin we recorded when we initiated a number of integrated plastic solution projects and fabricated more moulds.
- (3) The significant decrease in the profit for the eight months ended 31 August 2017 was primarily due to the recognition of listing expenses of HK\$14.7 million, which is non-recurring in nature. If such expenses as discussed had been disregarded, our profit for the period would have been approximately HK\$17.7 million.

SUMMARY

During the Track Record Period, the manufacturing of e-cigarette products contributed a significant portion of our gross profit and generated the highest gross profit margin. However, we relied on our largest customer, namely Fontem (before June 2015, LOEC) and expect to continue to rely on Fontem for our e-cigarette product manufacturing business. See “Business – Customers – Relationship with LOEC and Fontem” and “Risk Factors – Risks Relating to Our Business – Our manufacturing of e-cigarette products substantially relied and will continue to rely on orders from Fontem”.

Selected Combined Statements of Financial Position Data

The following table sets forth our selected combined statements of financial position as of the dates indicated.

	As of 31 December			As of
	2014	2015	2016	31 August
	(HK\$'000)	(HK\$'000)	(HK\$'000)	2017
Non-current assets	428,694	469,053	432,629	458,183
Current assets	175,824	186,187	199,849	203,323
Current liabilities	195,108	276,921	276,292	325,121
Net current liabilities	(19,284)	(90,734)	(76,443)	(121,798)
Non-current liabilities	173,461	136,151	109,098	76,246
Net assets	235,949	242,168	247,088	260,139
Total equity	235,949	242,168	247,088	260,139

Net Current Liabilities

As of 31 December 2014, 2015 and 2016 and 31 August 2017, we had net current liabilities of HK\$19.3 million, HK\$90.7 million, HK\$76.4 million and HK\$121.8 million, respectively. The general increase in our net current liabilities from 31 December 2014 to 31 August 2017 was primarily due to the increased borrowings we incurred for the construction of and the relocation to our new site in Huizhou or the decreased cash and cash equivalent caused by our repayment of loans due to ultimate controlling party. For risks associated with our net current liabilities position, see “Risk Factors – Risks Relating to Our Businesses – We face risks associated with our net current liabilities and relatively high net debt to equity ratio”.

Selected Combined Cash Flows Statements Data

The following table sets forth selected cash flows data for the periods indicated.

	Year ended 31 December			Eight months ended	
	2014	2015	2016	31 August	
	(HK\$'000)	(HK\$'000)	(HK\$'000)	2016	2017
Net cash from operating activities ⁽¹⁾	71,401	56,203	51,294	69,659	48,245
Net cash used in investing activities ⁽²⁾	(86,730)	(44,609)	(11,775)	(12,787)	(19,043)
Net cash used in financing activities ⁽³⁾	(5,154)	(6,591)	(50,995)	(58,069)	(9,374)

Notes:

- (1) The fluctuation in net cash from operating activities during the Track Record Period was primarily due to the fluctuation in the inventories and trade and other payables associated with our raw material procurement.

SUMMARY

- (2) The fluctuation in net cash used in investing activities during the Track Record Period was primarily due to the purchase of property, plant and equipment as a result of the construction and/or renovation of our new site in Huizhou and the acquisition of manufacturing equipment for our new site.
- (3) The fluctuation in net cash used in financing activities during the Track Record Period was primarily due to the repayment of payables for construction in progress, interest payment on our interest-bearing borrowings and the net cash inflow from interest-bearing borrowings.

Key Financial Ratios

The following table sets forth key financial ratios as of the dates or for the periods indicated.

	As of or for the year ended 31 December			As of or for the eight months ended 31 August
	2014	2015	2016	2017
Gearing ratio	1.23	1.29	1.13	1.12
Current ratio	0.90	0.67	0.72	0.63
Quick ratio	0.76	0.51	0.48	0.46
Return on equity (%)	22.3	7.3	13.7	N/A
Return on total assets (%)	8.7	2.7	5.4	N/A
Net debt to equity ratio	1.14	1.19	1.05	0.99
Interest coverage	11.6	2.8	4.4	1.9

For detailed calculation and discussion of our key financial ratios, see “Financial Information – Key Financial Ratios”.

Net Debt to Equity Ratio

Our net debt to equity ratio, calculated by dividing our total interest-bearing debts net of cash and cash equivalents and pledged bank deposits, by total equity as of the respective year end date, was 1.14, 1.19, 1.05 and 0.99 as of 31 December 2014, 2015 and 2016 and 31 August 2017, respectively. For risks associated with our relatively high net debt to equity ratio, see “Risk Factors – Risks Relating to our Businesses – We face risks associated with our net current liabilities and relatively high net debt to equity ratio”.

RECENT DEVELOPMENT

Subsequent to 31 December 2017 and up to the Latest Practicable Date, we had received an indicative credit facility of additional HK\$75.6 million from a financial institution in Hong Kong, which is expected to be issued to us by the end of February 2018. In January 2018, we also received credit facilities of additional HK\$7.0 million from a bank in Hong Kong.

Our business model has remained unchanged and our revenue and cost structure has remained stable since 31 August 2017. We currently estimate that our results of operations for the year ended 31 December 2017 will be adversely affected by the non-recurring listing expenses to be charged as administrative expenses to our profit and loss accounts. See “– Listing Expenses”. Save for the above, our Directors confirm that there had been no material adverse change in the financial or trading position or prospects of our Company or its subsidiaries since 31 August 2017, which is the end of the period covered by the Accountant’s Report set out in “Appendix I – Accountants’ Report”, to the date of this Prospectus.

SUMMARY

WORKING CAPITAL

Taking into account our cash flows from operating activities, presently available bank loans and other borrowings and the estimated net proceeds from the Global Offering, our Directors, after due inquiry, believe and the Sole Sponsor concurs that we have sufficient available working capital for our present requirements at least for the next 12 months from the date of this Prospectus. For details of our working capital resources, see “Financial Information – Net Current Liabilities – Working Capital”.

DIVIDEND

We did not declare any dividend during the Track Record Period. Our Directors may declare dividends, if any, in Hong Kong dollars with respect to Shares on a per Share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a financial year will be subject to the Shareholders’ approval. Our Directors consider that dividends to be declared and paid in future by our Group depend on a number of factors including, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, prevailing economic climate, the amount of distributable profits based on HKFRSs, the Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and such other factors which our Directors may deem relevant. There is, however, no assurance that dividends will be declared or distributed in any year subsequent to the Listing. As at the Latest Practicable Date, we did not have any specific dividend policy nor pre-determined dividend payout ratios.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2017

Our Directors estimate that, on the bases set out in Appendix III to this Prospectus, and in the absence of unforeseen circumstances, the estimated profit attributable to owners of our Company for the year ended 31 December 2017 amounted to not less than HK\$19 million. The decrease in the estimated profit for the year ended 31 December 2017 as compared with the net profit for the year ended 31 December 2016 was primarily due to the non-recurring listing expenses incurred for the year ended 31 December 2017. For more information of our profit estimate for the year ended 31 December 2017, see Appendix III to this Prospectus.

APPLICATION FOR THE HONG KONG PUBLIC OFFER SHARES

The application for the Hong Kong Public Offer Shares will commence on Wednesday, 14 February 2018 through Wednesday, 28 February 2018, being slightly longer than normal market practice of four days. The application monies (including the brokerages, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving banks on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Wednesday, 7 March 2018. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Thursday, 8 March 2018.

OFFERING STATISTICS

All statistics in this table are based on the assumption that the Over-allotment Option is not exercised.

	Based on the low-end Offer Price of HK\$0.65	Based on the high-end Offer Price of HK\$0.75
Market capitalisation of our Shares ⁽¹⁾	HK\$403 million	HK\$465 million
Unaudited pro forma adjusted net tangible assets attributable to equity owners of the Company per Share ⁽²⁾	HK\$0.56	HK\$0.58

Notes:

- (1) The calculation of market capitalisation is based on the 620,000,000 Shares expected to be in issue immediately upon completion of the Global Offering and the Capitalisation Issue.
- (2) The unaudited pro forma adjusted net tangible assets attributable to equity owners of the Company per Share has been arrived at after adjustments referred to in “Appendix II – Unaudited Pro Forma Financial Information – A. Unaudited Pro Forma Statement of Adjusted Net Tangible Assets” in this Prospectus and on the basis of 620,000,000 Shares in issue at the indicative offer prices of HK\$0.65 and HK\$0.75 per Share immediately following completion of the Global Offering and the Capitalisation Issue.

SUMMARY

USE OF PROCEEDS

<u>Amount</u>	<u>Percentage of net proceeds</u>	<u>Purpose</u>
Approximately HK\$3.0 million	3.9%	For the renovation of phase II of our new site in Huizhou. We expect to complete the construction of phase II of our new site and the leasehold improvement in the first half of 2018;
Approximately HK\$69.8 million	89.1%	For equipment upgrade and capacity expansion and related investments, including: <ul style="list-style-type: none">• Approximately HK\$57.1 million for upgrading plastic injection capabilities, which primarily entails (i) the purchase of approximately 49 sets of plastic injection machines from reputable manufacturers in the PRC, and (ii) the purchase of automated ancillary equipment for the newly purchased plastic injection machines;• Approximately HK\$4.7 million for purchase of advanced equipment from reputable manufacturers in Taiwan for an automated mould fabrication production line;• Approximately HK\$8.0 million for purchase of advanced equipment from reputable manufacturers in the PRC for an automated PET manufacturing line;
Approximately HK\$5.5 million	7.0%	To supplement our working capital

LISTING EXPENSES

The estimated total listing expenses (based on HK\$0.7 per Offer Share, being the mid-point of our indicative Offer Price range and that the Over-allotment Option is not exercised) in relation to the Global Offering are HK\$30.2 million, of which approximately (i) HK\$9.1 million is directly attributable to the issue of new Shares in the Global Offering and to be accounted for as a deduction from the equity, and (ii) HK\$21.1 million is to be charged as administrative expenses to our profit and loss accounts. Out of this amount, a total of HK\$14.7 million had been charged to our profit and loss account for the eight months ended 31 August 2017, and the remaining HK\$6.4 million is expected to be charged to our profit and loss account as administrative expenses for the four months ended 31 December 2017 and the year ending 31 December 2018.

NON-COMPLIANCE MATTERS

During the Track Record Period, we had some incidents of historical non-compliance with applicable regulations, including (i) non-compliance with respect to social insurance and housing provident fund regulations; and (ii) failure to comply with the permitted use of our leased property in Hong Kong as specified in the governmental lease and deed of mutual covenant. Our Directors are of the view that such incidents of non-compliance, whether individually or collectively, have not and will not have a material adverse effect on our business, results of operations and financial condition. See “Business – Regulatory Compliance and Legal Proceedings – Regulatory Compliance – Non-compliance matter” for further details.

RISK FACTORS

There are certain risks involved in our operations, some of which are beyond our control. See “Risk Factors”. Our most significant risk factors include:

- our manufacturing of e-cigarette products substantially relied and will continue to rely on orders from Fontem;
- we rely on a limited number of customers, and the loss of, or a significant reduction in, sales to any of these customers could materially and adversely affect our results of operations and financial condition; and
- we face risks associated with our net current liabilities and relatively high net debt to equity ratio.

DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following terms have the following meanings.

“Accountants’ Report”	the accountants’ report set out in Appendix I to this Prospectus
“affiliate(s)”	any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person(s)
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), individually or collectively, as the context may require
“Articles of Association” or “Articles”	the articles of association of the Company, conditionally adopted on 8 February 2018 with effect from the Listing Date and as amended from time to time, a summary of which is set out in “Appendix V – Summary of the Constitution of the Company and Cayman Islands Company Law” to this Prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board” or “Board of Directors”	the board of directors of the Company
“Brother”	Brother Technology (Shenzhen) Limited and its related companies, one of our major customers
“business day”	any day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 127,099,180 Shares, 127,099,180 Shares, 94,394,391 Shares, 79,204,489 Shares, 24,799,840 Shares, 12,399,920 Shares to Oceanic Green, New Strength, Gold Alliance, New Straits, Treasure Line and Flaming Sapphire, respectively, as per their respective shareholdings in the Company to be made upon capitalisation of HK\$46,499,700 standing to the credit of the share premium account of the Company

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Broker Participant”	a person admitted to participate in CCASS as a broker participant
“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, joint individuals or a corporation
“CCASS Participant”	a CCASS Broker Participant, CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CDN Holdings”	CDN Holdings Limited, a company incorporated in Hong Kong with limited liability on 25 August 2010, which is owned as to 51% by Mr. Chan and 49% by Mr. Cheng Chak and a connected person to our Company
“Chairman”	the chairman of the Board, being Mr. Chan
“China” or “PRC”	the People’s Republic of China, but for the purpose of this Prospectus and geographical reference only and except where the context requires, references in this Prospectus to “China” and the “PRC” do not apply to Taiwan, the Macau Special Administrative Region and Hong Kong
“Circular 37”	Circular of the State Administration of Foreign Exchange on Issues Related to Foreign Exchange Administration in Terms of Overseas Investment and Financing via Special Purpose Companies and Return Investment by Domestic Residents (關於境內居民通過特殊目的的公司境外投融資及返程投資外匯管理有關問題的通知) promulgated by the SAFE on 4 July 2014 and became effective from the same day
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Tian Chang Group Holdings Ltd. (天長集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 26 April 2017 under the laws of the Cayman Islands
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and in the case of the Company, means Oceanic Green, New Strength, Gold Alliance, New Straits, Treasure Line, Flaming Sapphire and Mr. Chan
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Indemnity”	the deed of indemnity dated 9 February 2018 entered into by our Controlling Shareholders in favour of our Company
“Deed of Non-Competition”	the deed of non-competition dated 9 February 2018 entered into by our Controlling Shareholders in favour of our Company
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Fast Precision”	Fast Precision Mould Limited, a limited liability company incorporated in Hong Kong on 26 April 2013 and a related party to the Company beneficially owned as to 69.23% by Mr. Chan and 30.77% by an Independent Third Party. It ceased to be a related party of the Company on 29 March 2017 when Mr. Chan disposed of his entire interest in Fast Precision to an Independent Third Party
“Fast Precision Huizhou”	Fast Precision Mould (Huizhou) Limited* (神速精密模具(惠州)有限公司), a company established in the PRC on 25 October 2013 and a related party to our Company beneficially owned as to 69.23% by Mr. Chan indirectly and 30.77% by an Independent Third Party. It ceased to be a related party of the Company on 29 March 2017 when Mr. Chan disposed of his entire indirect interest in Fast Precision Huizhou to an Independent Third Party
“Flaming Sapphire”	FLAMING SAPPHIRE LIMITED, a company incorporated in the BVI on 28 March 2017 with limited liability and is wholly-owned by Mr. Chan, and is one of the Controlling Shareholders
“Fontem”	Fontem Ventures B.V. and its related companies, one of our major customers
“Frost & Sullivan”	Frost & Sullivan International Limited, an independent global market research and consulting company which was founded in 1961 and is based in United States
“Frost & Sullivan Report”	an industry report prepared by Frost & Sullivan, commissioned by us and dated 10 July 2017
“Global Offering”	the Hong Kong Public Offering and the International Placing
“Gold Alliance”	GOLD ALLIANCE VENTURES LIMITED (金協創投有限公司), a company incorporated in the BVI on 29 March 2017 with limited liability and is wholly-owned by Mr. Chan and is one of the Controlling Shareholders
“GREEN Application Form(s)”	the application form(s) to be completed by HK eIPO White Form Service Provider

DEFINITIONS

“Group,” “our Group,” “we” or “us”	the Company and its subsidiaries at the relevant time or, where the context so requires in respect of the period before the Company became the holding company of our present subsidiaries, the HK Subsidiaries, the PRC Subsidiaries, their subsidiaries and the businesses carried on by them or (as the case may be) their predecessors
“HK\$” or “Hong Kong dollars”	Hong Kong dollar(s), the lawful currency of Hong Kong
“ HK eIPO White Form ”	the application for Hong Kong Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at <u>www.hkeipo.hk</u>
“ HK eIPO White Form Service Provider ”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at <u>www.hkeipo.hk</u>
“HK Subsidiaries”	Tian Chang HK, Tian Chang Industrial and Sun Leader HK
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HKFRSs”	Hong Kong Financial Reporting Standards
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Public Offer Shares”	the 15,500,000 new Shares being initially offered by our Company for subscription under the Hong Kong Public Offering, representing 10% of the initial number of the Offer Shares subject to re-allocation as described in the section headed “Structure of the Global Offering” in this Prospectus

DEFINITIONS

“Hong Kong Public Offering”	the offer of the Hong Kong Public Offer Shares for subscription by members of the public in Hong Kong (subject to re-allocation as described in the section headed “Structure of the Global Offering” in this Prospectus) at the Offer Price, and on the terms and subject to the conditions described in this Prospectus and the Application Forms
“Hong Kong Share Registrar”	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriter(s)”	the underwriter(s) of the Hong Kong Public Offering as listed in the paragraph headed “Underwriting – Underwriters – Hong Kong Underwriter(s)” of this Prospectus
“Hong Kong Underwriting Agreement”	the conditional underwriting agreement dated 13 February 2018 relating to the Hong Kong Public Offering and entered into by, amongst other parties, our Company, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters, as further described in the section headed “Underwriting” of this Prospectus
“Huizhou Shentong”	Huizhou Shentong Industrial Company Limited* (惠州市神通實業有限公司), a company established in the PRC on 11 April 2013 and a related party to our Company which was beneficially owned as to 100% by Mr. Chen Can Wei (陳燦偉), a brother of Mr. Chan
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is/are not a connected person(s) of the Company within the meaning of the Listing Rules
“Innovax Securities”	Innovax Securities Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, being one of the joint lead managers

DEFINITIONS

“International Placing”	the conditional placing of International Placing Shares to selected professional, institutional and other private investors, as set out in the section headed “Structure of the Global Offering” in this Prospectus
“International Placing Shares”	the 139,500,000 new Shares being initially offered by our Company for subscription under the International Placing, representing 90% of the initial number of the Offer Shares subject to the exercise of the Over-allotment Option and the re-allocation as described in the section headed “Structure of the Global Offering” in this Prospectus
“International Underwriter(s)”	the underwriter(s) of the International Placing, who are expected to enter into the International Underwriting Agreement to underwrite the International Placing
“International Underwriting Agreement”	the conditional underwriting agreement expected to be entered into on or about the Price Determination Date by, amongst other parties, our Company, the executive Directors, the Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator and the International Underwriters in respect of the International Placing
“Issuing Mandate”	a general and unconditional mandate granted to our Directors by the passing of resolutions by our Shareholders referred to in paragraph 1.3 of “Appendix VI – Statutory and General Information” in this Prospectus, pursuant to which our Directors may exercise the power of the Company to allot, issue or otherwise deal in new Shares of up to a maximum of 20% of the total number of Shares in issue as at the Listing Date
“Joint Lead Managers”	Wealth Link and Innovax Securities
“JPY”	Japanese Yen, the lawful currency of Japan
“Latest Practicable Date”	5 February 2018, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information in this Prospectus
“Listing”	the listing of the Shares on the Main Board

DEFINITIONS

“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on Thursday, 8 March 2018, on which dealings in the Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock market (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted on 8 February 2018 and as amended or otherwise modified from time to time, a summary of which is set out in “Appendix V – Summary of the Constitution of the Company and Cayman Islands Company Law” in this Prospectus
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部) or where the context so requires, its delegated authority at local levels
“Mr. Chan”	Mr. Chan Tsan Lam (陳燦林), an executive Director, the Chairman and chief executive officer of our Company and one of our Controlling Shareholders
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“New Straits”	NEW STRAITS VENTURES LIMITED (新海峽創投有限公司), a company incorporated in the BVI on 24 March 2017 with limited liability and is wholly-owned by Mr. Chan, and is one of the Controlling Shareholders
“New Strength”	NEW STRENGTH VENTURES LIMITED (新力創投有限公司), a company incorporated in the BVI on 29 March 2017 with limited liability and is wholly-owned by Mr. Chan, and is one of the Controlling Shareholders
“NT\$”	new Taiwan dollars, the lawful currency of Taiwan

DEFINITIONS

“Oceanic Green”	OCEANIC GREEN GROUP LIMITED (海翠集團有限公司), a company incorporated in the BVI on 3 April 2017 with limited liability and is wholly-owned by Mr. Chan, and is one of the Controlling Shareholders
“Offer Price”	the final Hong Kong dollars price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) of not more than HK\$0.75 per Share and such price to be determined in the manner further described in the section headed “Structure of the Global Offering” of this Prospectus
“Offer Shares”	the Hong Kong Public Offer Shares and the International Placing Shares together, where relevant
“Over-allotment Option”	the option to be granted by us to the Sole Global Coordinator on behalf of the International Underwriters under the International Underwriting Agreement pursuant to which the Company may be required to allot and issue up to an additional aggregate of 23,250,000 Shares (representing approximately 15% of the Offer Shares initially being offered under the Global Offering) at the Offer Price
“PRC Government”	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or where the context requires, any of them
“PRC Legal Advisers”	Jingtian & Gongcheng, legal advisers to the Company as to the PRC laws in connection with the Global Offering
“PRC Subsidiaries”	Tian Chang Shenzhen, Tian Chang Huizhou, Sun Leader Shenzhen and Sun Leader Huizhou
“Price Determination Date”	on or about Thursday, 1 March 2018 at which time the Offer Price is to be determined, 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 in any event not later than Friday, 2 March 2018

DEFINITIONS

“Prospectus”	this prospectus issued in connection with the Hong Kong Public Offering
“Reorganisation”	the reorganisation of the corporate structure of our Group in preparation for the Listing, further details of which are described in the section headed “History, Reorganisation and Corporate Structure – Reorganisation” in this Prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Repurchase Mandate”	a general and unconditional mandate granted to our Directors by the passing of resolutions by our Shareholders referred to in paragraph 1.3 of “Appendix VI – Statutory and General Information” in this Prospectus, pursuant to which our Directors may exercise the power of the Company to repurchase Shares the aggregate number of which shall not exceed 10% of the total number of Shares in issue as at the Listing Date
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration for Industry & Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) having a par value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Sole Global Coordinator”, “Sole Bookrunner”, “Stabilising Manager” or “Wealth Link”	Wealth Link Securities Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, being the sole global coordinator and sole bookrunner and one of the joint lead managers
“Sole Sponsor”	Innovax Capital Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Oceanic Green and the Sole Global Coordinator or around the Price Determination Date
“subsidiary(ies)”	has the meaning ascribed thereto in the Companies Ordinance
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Sun Leader BVI”	SUN LEADER HOLDINGS LIMITED, a company incorporated in the BVI on 20 April 2017 with limited liability and a direct wholly-owned subsidiary of our Company
“Sun Leader HK”	Sun Leader Mould Industrial Limited (新利達模具實業有限公司), a limited liability company incorporated in Hong Kong on 27 September 2000, which was held as to 50% by Mr. Chan and 50% by Mr. Cheng Chak as trustee for and on behalf of Mr. Chan until 1 June 2017, and is an indirect wholly-owned subsidiary of our Company
“Sun Leader Huizhou”	Sun Leader Mould Industrial (Huizhou) Limited* (新利達模具實業(惠州)有限公司), a company established in the PRC with limited liability on 27 June 2011 and an indirect wholly-owned subsidiary of our Company
“Sun Leader Shenzhen”	Sun Leader Mould (Shenzhen) Limited* (新利達模具(深圳)有限公司), a company established in the PRC with limited liability on 17 June 2011 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued and administered by the SFC and as amended, supplemented or otherwise modified from time to time
“Tian Chang BVI”	TIAN CHANG INVESTMENTS LIMITED, a company incorporated in the BVI on 20 April 2017 with limited liability and a direct wholly-owned subsidiary of our Company
“Tian Chang HK”	Tian Chang Holdings Limited (天長控股有限公司), a limited liability company incorporated in Hong Kong on 16 May 2006 and an indirect wholly-owned subsidiary of our Company
“Tian Chang Huizhou”	Huizhou Tian Chang Industrial Limited* (惠州市天長實業有限公司), a company established in the PRC with limited liability on 22 March 2011 and an indirect wholly-owned subsidiary of our Company
“Tian Chang Industrial”	Tian Chang Industrial Limited (天長實業有限公司), a limited liability company incorporated in Hong Kong on 13 June 2006 and an indirect wholly-owned subsidiary of our Company
“Tian Chang Shenzhen”	Tian Chang Industrial (Shenzhen) Limited* (天長實業(深圳)有限公司), a company established in the PRC with limited liability on 26 September 2006 and an indirect wholly-owned subsidiary of our Company
“Track Record Period”	the three years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2017
“Treasure Line”	TREASURE LINE HOLDINGS LIMITED, a company incorporated in the BVI on 5 April 2017 with limited liability and is wholly-owned by Mr. Chan, and is one of the Controlling Shareholders
“Underwriter(s)”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement

DEFINITIONS

“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “U.S. dollar(s)” or “USD”	United States dollar(s), the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations as promulgated thereunder
“VAT”	value-added tax
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Public Offer Shares to be deposited directly into CCASS
“sq.ft.”	square feet
“sq.m.”	square metres
“%”	per cent.

Note:

* denotes English translation of the name of a Chinese company or entity, or vice versa, and is provided for identification purposes only

The terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “controlling shareholder(s)”, “subsidiary(ies)” and “substantial shareholder(s)” have the meanings given to such terms under the Listing Rules, unless the context otherwise requires.

Unless otherwise specified, all data in this Prospectus is as at the Latest Practicable Date.

In this Prospectus, certain amounts denominated in currencies other than Hong Kong dollars, such as U.S. dollars and Renminbi, have been translated into Hong Kong dollars using the exchange rates prevailing at the dates of the transaction.

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

TECHNICAL GLOSSARY

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

“2D”	two dimensional
“3D”	three dimensional
“battery rod”	the medium part of an e-cigarette, usually made of carbon, for the conduction of electricity inside the battery
“CAD”	computer aided design
“CAE”	computer aided engineering
“CAGR”	compound annual growth rate
“CAM”	computer aided manufacturing
“cavity(ies)”	hollowed out spaces within a mould that shapes plastic components in the plastic injection moulding process
“Class 10,000 clean rooms”	a working environment contains less than 10,000 particles ($\geq 5 \mu\text{m}$ in size) per 1 cubic feet of air sample in compliance with ISO14644
“Class 100,000 clean rooms”	a working environment contains less than 100,000 particles ($\geq 5 \mu\text{m}$ in size) per cubic feet of air sample in compliance with ISO14644
“clearomiser”	the part of an e-cigarette that turns the liquid into vapor
“CNC”	computerised numerical control
“DFM”	design for manufacturing
“e-cigarette”	electronic cigarette, a battery-operated device designed to resemble the appearance and function of conventional cigarettes, which is generally composed of mouthpieces, sensor, heater, clearomiser, battery, micro-processor and e-liquid bottles (only for refillable e-cigarettes)

TECHNICAL GLOSSARY

“EDM”	electrical discharge machining – is a machining process used to create intricate and complex shapes in the mould fabrication process
“e-liquid”	E-liquid refers to the liquid that is heated in the e-cigarette which is usually made of nicotine, propylene glycol, glycerine and flavouring
“e-liquid bottle”	a bottle used together with a heater in refillable cigarettes to vaporise e-liquid to shape the smoking experience
“ERP”	enterprise resource planning, a computer system adopted by us that helps us keep track of our production and inventory levels
“EUTPD”	European Union Tobacco Product Directive
“fabrication”	the process whereby steel block is cut into the shape and dimension to form the metal mould, and is assembled into a mould
“FDA”	The United States Food and Drug Administration
“GFA”	gross floor area
“ISO”	International Organisation for Standardisation
“ISO8317”	the International Standard for Re-closable Child Resistant Packaging. It applies to pharmaceutical and chemical products
“ISO9001”	the International Standard for Quality Management Systems. It specifies requirements for a quality management system where an organisation needs to demonstrate its ability to consistently provide products that meet customer and applicable statutory and regulatory requirements, and aims to enhance customer satisfaction through the effective application of the system

TECHNICAL GLOSSARY

“ISO14001”	the International Standard for Environmental Management Systems. It specifies requirements for an environmental management system to enable an organisation to develop and implement a policy and objectives which take into account legal requirements and other requirements to which the organisation subscribes, and information about significant environmental aspects
“ISO14644”	the International Standard for Airborne Particulate Cleanliness Classes in Clean Rooms and Clean Zones
“ISO/TS16949:2002”	a standard that defines the quality management system requirements for the design and development, production and, when relevant, installation and service of automotive-related products. Many automobile manufacturers specifically request their suppliers to comply with the requirements under this standard. The ISO/TS – 16949 certification scheme was developed by the International Automotive Task Force (the “IATF”) and the Technical Committee of ISO, and includes third-party auditor qualifications and common rules for consistent global certification. The certification is valid for three years and must be confirmed annually by an IATF-certified auditor of an accredited certification body
“IVM”	ivm Institut Verpackungsmarktforschung GmbH, one of the few accredited institutes in Europe in accordance with ISO 17025 as a testing laboratory for child resistant packaging and the only accredited certification body for child resistant packaging in Europe in accordance with ISO 17065
“milling”	the process whereby complex shape of metal is shaped automatically by numeric controlled milling machines
“mould”	the metallic mould, which is a metallic structure used for moulding, while there are various types of moulds, for this Prospectus, unless otherwise specified, “mould” refers to plastic injection mould
“ODM”	original design manufacturer, whereby a manufacturer designs and produces a product as specified and is marketed under the customer’s brand name

TECHNICAL GLOSSARY

“OEM”	original equipment manufacturer, whereby a manufacturer manufactures products in whole or in part, in accordance with the designs and specifications of the customer and are marketed under the customer’s brand name
“PCBA”	printed circuit board assembly
“PET”	polyester fibre
“plastic injection mould”	a complex structure composed of metal components which is utilised in the manufacturing of plastic components utilising the plastic injection moulding process
“plastic injection moulding”	a manufacturing process for producing plastic components by injecting melted plastic resins into a plastic injection mould
“plastic resins”	certain raw materials used for manufacturing plastic components
“SA8000”	a social responsibility international standard published by the non-profit organisation SAI (Social Accountability International)
“secondary processes”	the further processes that take place after plastic injection moulding in the manufacturing of plastic components such as coating, spray-painting, printing, hot stamping, bronzing, ultrasonic welding, CNC machining and assembling of plastic components
“shot”	the amount of material injected during the plastic injection process
“US 16 CFR § 1700.20”	the United States standard for child resistant packaging
“wire cut”	the process whereby metallic material is cut into the required shape using an electronic wire cutter

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and our various measures to implement them;
- our capital expenditure plans;
- our operations and business prospects, including development plans for our existing and new businesses;
- our financial condition;
- our planned equipment upgrade and capacity expansion;
- availability of bank loans and other forms of financing;
- estimates of production capacities and operating expenses;
- our dividend policy;
- the future developments and competitive environment in our industries;
- the regulatory environment for our industries in general; and
- the general economic trend of the PRC and Hong Kong and general economic conditions.

The words “anticipate”, “believe”, “consider”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “potential”, “project”, “seek”, “will”, “would”, and similar expressions and the negative of these words, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect the current views of our Directors with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this Prospectus. Purchasers of our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties. The uncertainties in this regard include, but are not limited to, those identified in the section headed “Risk Factors”, many of which are not within our Company’s control. In light of these and other uncertainties, the inclusion of forward-looking statements in this Prospectus should not be regarded as representations by us or our Directors that our Company’s plans or objectives will be achieved. If any or all of these risks or uncertainties materialise, or the underlying assumptions prove to be incorrect, our financial condition may be materially and adversely affected and actual outcomes may differ materially from those described in this Prospectus as anticipated, believed, estimated or expected.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

You should carefully consider all of the information in this Prospectus including the risks and uncertainties described below before making an investment in the Shares. The business, financial condition or results of operations of our Group could be materially and adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESSES

Our manufacturing of e-cigarette products substantially relied and will continue to rely on orders from Fontem.

The manufacturing of e-cigarette products contributed a significant portion of our revenue during the Track Record Period and our e-cigarette products were manufactured under the brand “blu” primarily for Fontem (before June 2015, LOEC). For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, sales to Fontem (before June 2015, LOEC) contributed 42.2%, 32.6%, 45.1%, 43.8% and 44.2%, respectively, of our total revenue. However, there is no purchase commitment from Fontem under our agreement with them. See “– We do not have long-term purchase commitments from our customers, and any disruption or termination of our business relationships with our major customers or fluctuations in their demand for our products may have a material adverse effect on our business, financial condition and results of operations.” In addition, our existing agreement with Fontem will expire in March 2020. We cannot assure you that we will be able to renew this agreement with Fontem at commercially reasonable terms or at all. Further, we are prohibited from manufacturing and selling any product that is similar or competes against the products manufactured for Fontem without Fontem’s prior written consent. For detailed terms of our agreement with Fontem, see “Business – Customers – Relationship with LOEC and Fontem”. Thus, our manufacturing of e-cigarette products substantially relied and will continue to rely on orders from Fontem. We historically experienced reduction in orders in 2015 due to Imperial Tobacco’s acquisition of LOEC and recorded a decrease in revenue that year. We cannot assure you that Fontem will not reduce, delay or cancel its orders in the future. If we lose Fontem as the main customer for the manufacturing of e-cigarette products and fail to find alternative customers in time, or at all, our business, results of operations and financial condition will be materially and adversely affected.

We rely on a limited number of customers, and the loss of, or a significant reduction in, sales to any of these customers could materially and adversely affect our results of operations and financial condition.

Historically, we relied on and expect to continue to rely on a relatively small number of customers for the foreseeable future. For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, our five largest customers accounted for 83.5%, 81.7%, 83.5%, 86.8% and 87.0% of our total revenue, respectively. Our relationships with some of our key customers were developed over a relatively short period of time. To reduce our revenue concentration and our reliance on a limited number of customers, including

RISK FACTORS

Fontem, we will monitor the integrated plastic solutions industry closely and continue to broaden our customer base. For example, we intend to offer one-stop manufacturing services to new customers, which involve not only plastic components, but also other electronic components and products assembling service as an ODM. However, we cannot assure you that we can successfully broaden our customer base and reduce our reliance on a limited number of customers due to a number of factors including the exclusivity term in our agreement with Fontem. Therefore, we may continue to rely on these customers for revenue generation, particularly in light of our business expansion. We may experience reduction, delay or cancellation of orders from one or more of our significant customers, and any decline in the businesses of our customers could also reduce their purchase of our products. The loss of sales to any of these customers could have a material adverse effect on our business, prospects and results of operations.

We face risks associated with our net current liabilities and relatively high net debt to equity ratio.

We historically and may continue to have net current liabilities. As of 31 December 2014, 2015 and 2016, 31 August 2017 and 31 December 2017, we had net current liabilities of HK\$19.3 million, HK\$90.7 million, HK\$76.4 million, HK\$121.8 million and HK\$133.3 million, respectively, as a result of the significant increase in our borrowings from 2015 to 2017 to fund the construction of and the relocation to our new site in Huizhou. We may have ongoing net current liabilities in the future. In addition, our borrowings for the construction of and relocation to our new site in Huizhou have contributed to our relatively high net debt to equity ratio during the Track Record Period, which was 1.14, 1.19, 1.05 and 0.99 as of 31 December 2014, 2015 and 2016 and 31 August 2017, respectively. Having significant net current liabilities and high net debt to equity ratio could constrain our operational flexibility and adversely affect our planned equipment upgrade and production capacity expansion. If we fail to generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to finance from external sources. If we fail to raise adequate capital, we may be forced to delay or abandon our development and planned upgrade and/or expansion, and our operations and financial condition may be materially and adversely affected.

Our failure to successfully execute our equipment upgrade and capacity expansion plans may have a material adverse effect on the growth of our sales and earnings.

We believe our future success depends, to a large extent, on our ability to increase our production output and enhance production efficiency, primarily through the procurement of additional manufacturing equipment and installation of additional manufacturing facilities. If we fail to achieve these objectives, we may not be able to attain the desired level of economies of scale in our operations or reduce marginal manufacturing costs to the level necessary to maintain our pricing and other competitive advantages. Our equipment upgrade and capacity expansion have required and will continue to require substantial capital expenditure, significant engineering efforts, timely delivery of manufacturing equipment and substantial management attention, and is subject to the following risks and uncertainties:

- negative effect on the working capital available to us;

RISK FACTORS

- the need to finance our equipment upgrade and capacity expansion through bank or other borrowings, which may not be available on commercially reasonable terms or at all;
- delay or denial of government approvals, permits or documents of similar nature required in relation to our expansion, if necessary;
- increase in depreciation charges associated with our new equipment and interest expenses associated with our future borrowings for planned upgrade or expansion;
- cost overruns, construction delays, manufacturing equipment problems, including delays in equipment deliveries or delivery of equipment that does not meet our specifications, and other operating difficulties;
- failure to improve our operational and financial systems and risk monitoring and management system in line with our upgrade or expansion;
- decrease in the prices of our products;
- failure to maintain or establish relationships with our existing or prospective customers and suppliers;
- the failure of our new equipment to perform as expected and lower our manufacturing cost;
- inability to secure new supply and sales contracts to match our increased production output; and
- insufficient management resources to properly oversee and manage our planned capacity expansion.

Any of these or similar risks or uncertainties could significantly delay or otherwise constrain our ability to execute our upgrade and expansion as currently planned, which may in turn hinder our ability to achieve economies of scale and satisfactory utilisation rates or otherwise improve our prospects and profitability.

We do not have long-term purchase commitments from our customers, and any disruption or termination of our business relationships with our major customers or fluctuations in their demand for our products may have a material adverse effect on our business, financial condition and results of operations.

Generally, we do not maintain long-term purchase agreements with our customers, other than with Fontem (before June 2015, LOEC). Moreover, even in the long-term agreement with Fontem, no specific requirement is made with respect to the price and the minimum volume of products which Fontem is required to purchase from us. Instead, we only sell our products

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based on individual purchase orders. If any of our major customers significantly reduces or terminates its purchase of our products, whether due to a deterioration of its business, its decision to change supplier or any other reason, and we fail to secure an alternative customer which can generate comparable sales volume, our business, financial condition and results of operations may be materially and adversely affected.

In addition, our customers' demand for our products may experience significant fluctuations from time to time. Historically, the demand for our e-cigarette products in 2015 was adversely affected by Imperial Tobacco's acquisition of LOEC. Further, our customers' demand for our products may in some cases be affected due to fluctuations in the demand for the end products of our customers in our downstream industries and their respective production cycles. Such fluctuations may in turn have a material adverse effect on our business, financial condition and results of operations.

Lack of long-term production schedules committed to by our customers makes it difficult for us to schedule production accurately and achieve maximum efficiency of our production capacity, which therefore may not correspond precisely to our production demands.

We generally procure the required raw materials based on periodic forecast provided by our major customers with which we have developed long-term relationships. Therefore, we plan our production and inventory levels based on our customers' forecasts, as well as our internal assessments and forecasts of customer demand. However, the volume and timing of sales to our customers may vary due to, among others:

- variation in demand for or discontinuation of our customers' products;
- changes in our customers' manufacturing strategies; and
- our customers' attempts to manage their inventory.

In addition, we believe some of our customers prefer us to have a certain percentage of excess capacity which would allow us to meet unexpected increases in purchase orders. Furthermore, in the event that a customer reduces or cancels orders unexpectedly after we have invested in upgrading our equipment or increasing our capacity, our gross profit and operating income may be adversely affected because we may not be able to recover our expenditures for inventory purchased in preparation for customer orders and we may not be able to realise optimal utilisation of our manufacturing facilities.

We rely on a stable supply of labour for our manufacturing.

According to the Frost & Sullivan Report, one of the major constraints in the e-cigarette manufacturing industry in the PRC is labour shortage. We rely on skilled labour for our manufacturing and if we are unable to retain or replace such skilled labour, we may be forced to rely on subcontractors or otherwise be unable to maintain the quality of our products. We

RISK FACTORS

cannot assure you that we will be able to maintain a sufficient labour force necessary for us to execute our business, nor can we guarantee that our staff costs will not increase to attract or maintain skilled labour. If this occurs, it could have a material and adverse effect on our results of operations and inhibit our future growth.

We may not be successful in launching new products which may limit our growth prospects.

We intend to offer one-stop manufacturing services to customers, which involve not only plastic components, but also other electronic components and products assembling service as an ODM. For example, we cooperated with KOOFY Development Limited, a designing company in the development and manufacturing of electric one-wheel self-balancing skateboards, Surfwheel. See “Business – Our Business Strategies – Continue to expand our customer base by focusing on strategically targeted downstream industries”. However, we have not operated as an ODM before. In addition, we will need to hire and retain senior management and experienced employees having experience in electronic engineering and establish relationships with customers for our new products. As such, we face various risks relating to the commencement of such new business operations, including but not limited to the potential failure to:

- develop new products as an ODM cost-effectively, achieve acceptable working standards and maintain adequate control of our expenses in relation to our new product development;
- attract, train, motivate and retain skilled employees for our new product development;
- increase market and brand awareness for our new products, maintain and develop relationships with our future cooperative partners in relation to our development of new products; and
- obtain and/or renew necessary license and/or certificate for our new product development.

Similarly, we started to manufacture e-liquid bottles in July 2017 and plan to acquire manufacturing equipment and commence the manufacturing of PCBA at the proper time in the future in order to further improve our profit margin and cash flow. We cannot assure you that we will be able to efficiently manage the in-house manufacturing of e-liquid bottles and PCBA and achieve our target as expected. If we are unsuccessful in addressing any of these risks, our business, financial position and results of operations may be materially and adversely affected.

RISK FACTORS

Our sales may fluctuate and be affected by seasonality.

Our sales volume has historically been affected by seasonality. Our sales in the first quarter of any year are generally affected by the Chinese New Year holiday during which industrial activity in the PRC is normally lower than that at other times. See “Business – Sales and Marketing – Seasonality”. As a result, our results of operations in the first quarter of each year may be lower than those of other times. We believe that the seasonal variability in our results of operations will continue in the future. However, we cannot assure you that the historical trend of seasonality of our revenue will continue to the same extent, or at all. Therefore, an analysis of our financial performance for the eight months ended 31 August 2017 may not be indicative of our full-year results due to the seasonality of our revenue.

We are subject to risks relating to certain defects in the lease of office.

Workshop Unit 6, 13th Floor, Block B, Hoi Luen Industrial Centre, 55 Hoi Yuen Road, Kwun Tong, Hong Kong (the “**Hong Kong Leased Property**”) is being used by us as office (the “**Actual Use**”). The Actual Use does not comply with the permitted use as specified in the relevant government lease, occupation permit, deed of mutual covenant and tenancy agreement. For details of the non-compliance and its legal consequences, see “Business – Regulatory Compliance and Legal Proceedings – Regulatory Compliance – Non-compliance matter”.

In the event that any government authority exercises the right to re-enter the Hong Kong Leased Property or the landlord of the Hong Kong Leased Property exercises the right to terminate the tenancy agreement and re-enters the Hong Kong Leased Property, we will be required to relocate our office in Hong Kong to other premises and incur relocation costs. If it takes longer than we expect to identify other premises to be used as our office in Hong Kong, we may experience business interruption as a result of the relocation.

Our historical non-compliance, such as our non-compliance with social insurance and housing provident fund contribution regulations in the PRC could lead to imposition of penalties or other liabilities.

We previously did not comply with certain statutory requirements under relevant PRC laws and regulations. As a result of these non-compliance incidents, we may be exposed to penalties or other liabilities. For details of such historical non-compliance incidents, see “Business – Regulatory Compliance and Legal Proceedings – Regulatory Compliance – Non-compliance matter”. During the Track Record Period, we had not fully paid certain past social insurance and housing provident fund contributions, which are required under the relevant PRC laws and regulations, for and on behalf of all of our employees in the PRC. We estimate such total underpaid amount during the Track Record Period to be approximately HK\$6.3 million.

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During the Track Record Period and up to the Latest Practicable Date, we had not been ordered to pay outstanding contributions and/or penalties by relevant authorities. However, in the event that we fail to pay any outstanding contribution pursuant to any notice issued by the social insurance bureau or the department in charge of the housing fund, respectively, we could be ordered to make the outstanding contributions and be subject to penalties for late payment. If our Group does not pay the relevant social insurance and housing provident fund contributions within the prescribed time limits required by the relevant authorities, we would be subject to penalties as disclosed in “Business – Regulatory Compliance and Legal Proceedings – Regulatory Compliance – Non-compliance matter” in this Prospectus.

We face risks associated with the marketing and sale of our products internationally.

We have exported a significant portion of our products to overseas markets. For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, we generated 60.6%, 55.1%, 68.7%, 66.7% and 70.5%, respectively, of our revenue from export sales out of China. Marketing and sale of our products in the overseas markets may expose us to a number of risks, including:

- fluctuations in currency exchange rates;
- failure to develop appropriate risk management and internal control structures tailored for overseas sales;
- difficulty and cost relating to compliance with the different commercial and legal requirements of the overseas markets in which we offer or plan to offer our products and services;
- unanticipated changes in prevailing economic conditions and regulatory requirements; and
- difficulty in employing and retaining sales personnel who are knowledgeable about, and can function effectively in, overseas markets.

If we are unable to effectively manage these risks, they could impair our ability to expand our business abroad and have a material adverse effect on our business, financial condition, results of operations and prospects.

RISK FACTORS

Failure to achieve satisfactory production output of our products could result in a decline in sales and affect our results of operations.

The fabrication of plastic injection moulds as well as the manufacturing of plastic components and e-cigarette products involves complex processes. Deviations in the manufacturing process can cause a substantial decrease in output and, in some cases, disrupt production significantly or result in no output. We have from time to time experienced lower-than-anticipated manufacturing output during the ramp-up of production lines. This often occurs during the introduction of new products, the installation of new equipment or the implementation of new processing technologies. As we execute our equipment upgrade and capacity expansion plan and bring additional lines or facilities into production, we may operate at less than planned capacity during the ramp-up period. For example, our manufacturing time of plastic components decreased in 2015 due to the relocation of our manufacturing lines and equipment to and the installation of new manufacturing equipment in our new site in Huizhou. Our failure to achieve satisfactory production volume could result in higher marginal manufacturing costs and lower than expected output, which could have a material adverse effect on our results of operations.

We are exposed to fluctuations in the prices of raw materials and components.

As our business continues to grow, we expect increasing demand for raw materials such as plastic resins and steel. For years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, our costs of raw materials represented 64.0%, 58.2%, 62.4%, 59.3% and 64.3%, respectively, of our cost of goods sold. While we monitor the price of raw materials and adjust our price quotations accordingly, we may not be able to directly pass on any increase in the price of raw materials to our customers in time or at all, which may have a material adverse effect on our business, financial condition and results of operations.

We are exposed to credit risk of our customers.

We generally offer a credit period of up to 180 days to our plastic component customers and 10 days to Fontem. Therefore, in the event that the credit worthiness of our customers deteriorate or a significant number of our customers fail to settle their trade and bill receivables in full for any reason, we may incur impairment losses and our results of operations and financial position could be materially and adversely affected. In addition, there may be a risk of delay in payment by our customers from their respective credit period, which in turn may also result in an impairment loss provision. There is no assurance that we will be able to fully recover our trade receivables from our customers or that they will settle our trade receivables in a timely manner. In the event the settlements from our customers are not made on a timely manner, our business, financial condition and results of operations may be adversely affected.

RISK FACTORS

Our failure to manage inventory at optimal levels could adversely affect our business, financial condition and results of operations.

Maintaining an optimal level of inventory is critical to the success of our business. As of 31 December 2014, 2015 and 2016 and 31 August 2017, we had inventory balances of HK\$26.8 million, HK\$44.5 million, HK\$65.7 million and HK\$51.7 million, respectively, and our inventory turnover days of 31 December 2014, 2015 and 2016 and 31 August 2017 were 27 days, 43 days, 47 days and 51 days, respectively. We plan our inventory levels based on our customers' forecasts, as well as our internal assessments and forecasts of customer demand. Therefore, we are exposed to inventory risks because of a variety of factors beyond our control such as changing customer demand. We cannot assure you that we can accurately predict our customers' demand and avoid under-stocking or over-stocking inventory. Any unexpected change in demand for our products may result in us having out-of-stock or over-stocked items, which will have a direct impact on our sales and pricing strategies. Further, we cannot assure you that we will be able to manage our inventory level effectively. If there is a sudden decrease in the market demand for our products or if our new products do not successfully meet customer preferences, we may experience slow movement of our inventories. We may not be able to utilise or sell our inventories swiftly, and may face the risk of inventory obsolescence. If we fail to manage our inventory at an optimal level, our business, financial condition and results of operations may be adversely affected.

If we fail to respond to technological changes and evolving industry standards in an efficient and timely manner, we may not be able to effectively compete with our competitors.

Industries related to our business and, in particular, the e-cigarette industry, have historically been characterised by technological changes and evolving industry standards. There can be no assurance that we will be successful in responding to these changes. New products or technologies may render our existing products and service offerings or technologies less competitive. If we fail to adapt to technological changes and evolving industry standards in an efficient and timely manner, we may not be able to continue to effectively serve our customers' needs, and our business, financial condition and results of operations may be materially and adversely affected.

Unsatisfactory performance of or defects in our products may cause us to incur additional expenses, damage our reputation and cause our sales to decline.

Our products may contain defects that are not detected until after they are shipped or inspected by our customers. For plastic injection moulds, we either send a team to modify or repair the defective moulds. We would produce new batches for our customers at our cost for plastic components and e-cigarette products. Our failure to maintain the consistency and quality throughout our production process could result in substandard quality or performance of our products, and product defects could cause significant damage to our market reputation and reduce our product sales and market share. If we deliver our products with defects, or if there is a perception that our products are of substandard quality, we may incur substantially increased costs associated with returns or replacements of our products, our credibility and market reputation could be harmed and our sales and market share may be adversely affected.

RISK FACTORS

Compliance with environmental and safe production regulations can be costly, while non-compliance with such regulations may result in adverse publicity and potentially significant monetary damages, fines and suspension of our business operations.

We generate and discharge air pollutants, waste water and other industrial waste at various stages of our manufacturing process, and are subject to a variety of government regulations related to the use, storage and disposal of such hazardous chemicals and waste. Any failure by us to control the use of, or to adequately restrict the discharge of, dangerous substances could subject us to potentially significant monetary damages and fines or the suspension of our business operations. In addition, we are required to conduct periodic safety evaluation of our manufacturing and storage facilities and equipment, file the results of such evaluation with competent safety supervision and administrative authorities, and satisfy other applicable requirements in relation to safe production. We are required to comply with all PRC national and local environmental protection regulations. Under such regulations, we are prohibited from commencing commercial operations of our manufacturing facilities until we have obtained the relevant approvals from PRC environmental protection authorities.

We cannot assure you that we will be able to obtain or renew all the safe production and environmental permits for our operations in a timely manner or at all. Failure to obtain or renew any necessary safe production and environmental permits and approvals, including the pollutant discharge permit, could result in administrative fines and suspension of operations and may materially and adversely affect our business, financial condition, and results of operations. Historically, Tian Chang Shenzhen did not apply for the acceptance of environmental protection facilities and obtain the pollutant discharge permit. Although the relevant governmental authorities have confirmed that the likelihood of the administrative penalties being imposed for our failure to apply for the acceptance of environmental protection facilities and obtain the pollutant discharge permit is relatively low, we cannot assure you that such administrative penalties will not be imposed on us for our failure to apply for the acceptance of environmental protection facilities and obtain the pollutant discharge permit.

In addition, the PRC Government may issue more stringent environmental protection and safe production regulations in the future and the costs of compliance with new regulations could be substantial. If we fail to comply with the future environmental and safe production laws and regulations, we may be required to pay fines, suspend construction or production, or cease operations. Moreover, any failure by us to control the use of, or to adequately restrict the discharge of, dangerous substance could subject us to potentially significant monetary damages of our business operations.

RISK FACTORS

We depend on our key personnel, and our business and growth prospects may be severely disrupted if we lose their services or are unable to attract new employees to replace these key personnel.

We depend on the continued contributions of our senior management and other key employees. In particular, we rely on the expertise, experience and leadership ability of our core senior management members, particularly Mr. Chan and Mr. Cheng Chak. In addition, our senior management, such as Mr. Chan Man Ho, Mr. Wu Chen Tong and Mr. Yueh Yung Chan have extensive working experience in relevant industries and general management. They have been critical to the strategic direction and overall management of our Company.

If one or more of our key personnel are unable or unwilling to continue in their present positions within our Company, we may not be able to replace them easily or at all, which may cause a significant disruption to our business operations, strategic plan and strategy implementation, and materially and adversely affect our financial condition and results of operations. We may also have to incur additional and potentially significant expenses to recruit and train new personnel. In addition, if any of our executive officers or key employees joins a competitor or forms a competing company, we may lose knowhow, trade secrets, business partners and key professionals and staff. Furthermore, since the competition has been intense in our industry, we may need to offer higher compensation and other benefits in order to attract and retain key personnel in the future, which could increase our compensation expenses.

We require a significant amount of cash to fund our operations and equipment upgrade and capacity expansion and we may not obtain additional capital in a timely manner or on commercially acceptable terms.

We require a significant amount of cash to fund our operations, including payments to suppliers and production inputs. We will also need to raise capital for the equipment upgrade and the capacity expansion. Our ability to obtain external financing is subject to a number of uncertainties, including among others:

- our future financial condition, results of operations and cash flow;
- the state of global credit markets;
- general market conditions for financing activities by our industry peers; and
- economic, political and other conditions in China and elsewhere.

If we are unable to obtain funding in a timely manner or on commercially acceptable terms, or at all, our growth prospects and future profitability may be materially and adversely affected.

RISK FACTORS

Our historical revenue and profit margin may not be indicative of our financial performance in the future.

For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, our revenue amounted to HK\$548.7 million, HK\$401.2 million, HK\$555.6 million, HK\$353.3 million and HK\$364.5 million, respectively, and our net profit amounted to HK\$52.6 million, HK\$17.8 million, HK\$33.9 million, HK\$16.1 million and HK\$3.0 million, respectively. However, our historical financial information may not be indicative of our future performance. Our future performance will depend on, among other things, our ability to secure customer orders, manage our expansion and control on our costs and will be subject to the risks set out in this section. Therefore, our historical performance does not have any positive implication or may not necessarily reflect our financial performance in the future.

We are exposed to foreign currency fluctuations.

We have currency exposures related to buying and selling in currencies other than the functional currency of each group entity resulting in exchange gain or loss under profit and loss. Our revenue and expenses are primarily denominated in U.S. dollars, Hong Kong dollars and RMB. Price increases caused by currency exchange rate fluctuations may make our products less competitive. Currency exchange rate fluctuations may also disrupt the business of our suppliers by making their purchases of raw materials more expensive and consequently increase our cost. In addition, since the assets and liabilities of our PRC Subsidiaries are denominated in RMB, the fluctuation in the exchange rate between RMB and Hong Kong dollars may cause loss or income upon combination which we recorded such exchange difference under other comprehensive loss or income. For the years ended 31 December 2014, 2015 and 2016, we recorded other comprehensive loss from exchange difference on combination of HK\$2.4 million, HK\$11.9 million and HK\$29.1 million, respectively, primarily caused by the depreciation of RMB in such years. We cannot assure you that the exchange rate will not fluctuate again in the future. If the exchange rate materially fluctuate in the future, our business, financial condition and results of operations may be adversely affected.

The global economy may be adversely affected by a recurrence of severe acute respiratory syndrome, an outbreak of other epidemics, natural disaster, acts of war, terrorist attack or other events, thereby affecting our prospects.

Some countries including South Korea, Mexico, the United States and Japan are susceptible to epidemics such as Middle East respiratory syndrome (MERS), severe acute respiratory syndrome (SARS), swine flu (H1N1) and avian flu (H5N1), which may cause severe damage to their respective local economies and the global economy as a whole. If such epidemics break out in the PRC or Hong Kong, or in the cities where we have or will have operations, it may result in material disruptions to our business operations, which will in turn adversely affect our financial condition. In addition, natural disasters (such as typhoons, flooding and earthquakes), acts of war, terrorist attacks and other events, many of which are beyond our control, may lead to global or regional economic instability, which may in turn materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

RISKS RELATING TO OUR INDUSTRIES

We highly depend on the success of our downstream industries as well as the future growth of outsourcing of mould fabrication and plastic components manufacturing from our downstream industries.

The fabrication of moulds and manufacturing of plastic components, have end-use applications in our downstream industries, such as office furniture, office electronic product, home appliance, communication and automobile industries. Therefore, our business, financial condition and results of operations depend upon the prospects of those downstream industries. Furthermore, our customers' demand for our products and services may significantly decrease when the demand for our customers' products decreases or ceases for any reason. For example, our customers used to order plastic components for VCD players and DVD players from us, which was significantly reduced due to technology upgrade. In the event that the growth of our downstream industries is not sustained, or that we are not able to take effective measures to respond timely to technological developments and evolving industry standards in our downstream industries, our business, financial condition and results of operations may be materially and adversely affected.

If the medical profession determines that e-cigarette usage poses long-term health risks, the market demand for e-cigarette products may decline significantly.

The increasing market demand for e-cigarette products largely depends on the existing conclusion by some studies that e-cigarettes are safer than conventional cigarettes. However, since e-cigarettes were only introduced to the market in the last decade, the medical profession may not have a sufficient period of time to study the long-term health effects of e-cigarette use. Therefore, currently it is uncertain whether or not e-cigarettes are sufficiently safe for their intended use. During the Track Record Period, the manufacturing of e-cigarette products contributed a significant portion of our gross profit and generated the highest gross profit margin. If the medical profession were to determine conclusively that e-cigarette usage poses long-term health risks, e-cigarette usage by end-user consumers may significantly decline which would in turn materially and adversely affect the demand for our e-cigarette products, which would have a material adverse effect on our business, financial condition and results of operations.

The market for e-cigarettes is subject to uncertainty and is still evolving.

E-cigarettes were only introduced to the market in the last decade. The industry represents a niche market and is still evolving. Historically, we generated a significant portion of our revenue from the manufacturing of e-cigarette products and we expect that our future sales and any future profits substantially depend upon the wider acceptance and use of e-cigarettes. The demand and market acceptance for these products is subject to a high level of uncertainty. Therefore, we are subject to all of the business risks associated with the evolving industry, including but not limited to the following:

- we may face unforeseen capital requirements caused by the changing industry requirements or customer demand;

RISK FACTORS

- demand for our e-cigarette products may decline significantly due to the failure of widespread market acceptance of e-cigarettes in general; and
- we may not be able to establish business relationships with customers or compete with other more established competitors as customers generally prefer to choose established suppliers in an evolving industry.

If we fail to compete with other industry players in the uncertain and evolving market, our business, financial position and results of operations may be adversely affected.

We are exposed to risks associated with evolving laws and regulations governing e-cigarette industry.

As e-cigarettes have become more and more popular in the recent years, governments are now considering imposing more strict policies to regulate the rising substitute of tobacco. It is expected that various limitations may be imposed on the e-cigarette industry, such as prohibition of usage in public place and additional tax imposed, both of which may adversely affect the development of the e-cigarette industry, and in turn, suppliers like us. For example, the usage of e-cigarettes has been prohibited in enclosed space in Portugal since 2018. In addition, The Indonesia government will impose a 57% excise tax on the sale price of e-cigarettes after 1 July 2018 and the European Commission is now considering a potential harmonized taxation to be imposed on e-cigarettes. We cannot assure you that governmental authorities will not impose more restrictions or issue more regulations with respect to e-cigarette products in the future, which may in turn affect the market demand for e-cigarette products thus adversely affect our business, financial conditions and results of operations.

RISKS RELATING TO THE PRC

Our operations in the PRC may be subject to the uncertainties of the PRC legal system.

The PRC legal system is a civil law system based on written statutes. Unlike common law system, it is a system in which decided legal cases have little value as precedents. In 1979, the PRC Government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, and such legislation over the past 30 years has significantly enhanced the protections afforded to various forms of foreign investments in China in general and laws and regulations applicable to wholly foreign-owned enterprises in particular. These laws, regulations and legal requirements are relatively new and are often changing and their interpretation and enforcement involve uncertainties. These uncertainties limit the reliability of legal protections available to us. As there may be changes in the PRC legal system in the future, we may not be able to adapt our operations to the changes in a timely manner, which in turn may adversely affect our operations and financial condition.

RISK FACTORS

The economic, political and social conditions of the PRC, as well as the policies of the PRC Government, could adversely affect the financial markets in the PRC and our business.

The PRC economy differs from the economies of most developed countries in many respects, including the level of PRC Government's involvement, amount of capital reinvestment, growth rate, control of foreign exchange, allocation of resources and balance of payments position. While the PRC economy has experienced significant growth in the past 20 years, such growth has been uneven, both geographically and among various sectors of the economy. The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources.

Some of these measures may have a negative effect on us. For example, our business and financial condition may be adversely affected by the PRC Government's control over the e-cigarette industry and by changes in tax regulations that are applicable to us. Any slowdown in growth of the PRC economy could have a negative effect on our business. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. The PRC Government has implemented measures since the late 1970s emphasising the use of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises. Yet currently a substantial portion of productive assets in the PRC is still owned by the PRC Government. In addition, the PRC Government continues to play a significant role in regulating industry development by imposing industrial policies. It also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. We cannot assure you that the PRC Government will not adopt more stringent policies, regulations and measures in the future. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business, financial condition, results of operations and prospects may be materially and adversely affected.

It may be difficult to effect service of process on, or to enforce any judgments obtained outside the PRC against us, our Directors or senior management members who live inside the PRC.

Substantially all of our assets are located in the PRC and a number of our Directors and senior management members reside in the PRC. Accordingly, it may be difficult for investors to effect service of process on any of those persons or to enforce judgments obtained outside the PRC against us or any of those persons, as the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments awarded by courts in many developed countries, including the Cayman Islands, the United States, the United Kingdom and Japan. Hence, the recognition and enforcement in the PRC of judgments of a court in any of those jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

RISK FACTORS

The exchange rate between the RMB and other currencies could negatively affect our business, results of operations, financial condition and our ability to pay dividends, increase competition from foreign competitors, affect the value of our net assets, earnings and dividends in foreign currency terms.

The exchange rate of the RMB against U.S. dollar, Hong Kong dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC Government and changes in the PRC and international political and economic conditions. Any future exchange rate volatility relating to the RMB may give rise to uncertainties in the value of our net assets, earnings and dividends. An appreciation of the RMB may result in increased competition from foreign competitors; a devaluation of the RMB may adversely affect the value of our net assets, earnings and dividends in foreign currency terms.

Moreover, to the extent that we need to convert the net proceeds from the Global Offering and future financing proceeds into the RMB for our operations, appreciation of the RMB against the relevant foreign currencies would have an adverse effect on the RMB amount we would receive from the conversion. On the other hand, because the dividends on our Shares, if any, will be paid in Hong Kong dollars, any devaluation of the RMB against the Hong Kong dollar could adversely affect the amount of any cash dividends on our Shares in Hong Kong dollar terms.

We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in unfavourable tax consequences to us and our shareholders and have an adverse effect on our results of operations and the value of your investment.

Under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the “EIT Law”), which became effective on 1 January 2008 as amended on 24 February 2017, an enterprise established outside China whose “de facto management body” is located in China is considered as a “PRC resident enterprise” and will generally be subject to the uniform 25% enterprise income tax rate (the “EIT rate”), on its global income. Under the implementation rules of the EIT Law, “de facto management body” is defined as the organisation body that effectively exercises management and control over such aspects as the business operations, personnel, accounting and properties of the enterprise. However, a PRC resident enterprise is exempted from dividend income received from qualified resident enterprises. The tax consequences of such treatment are currently unclear, as they will depend on the implementation of regulations and how local tax authorities apply or enforce the EIT Law and the EIT Rules. If the PRC tax authorities determine that we were treated as a PRC resident enterprise for PRC enterprise income tax purposes, the 25% PRC enterprise income tax on our global taxable income could adversely affect our ability to satisfy any cash requirements we may have.

RISK FACTORS

We may rely on dividends and other distributions on equity paid by our PRC Subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of our PRC Subsidiaries to make payments to us could have an adverse effect on our ability to conduct our business or financial condition.

We are a holding company, and we may in the future rely on dividends and other distributions on equity that may be paid by our PRC Subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to the holders of our ordinary shares and service any debt we may incur. If our PRC Subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us.

Further, our PRC Subsidiaries are required to pay dividends out of the net profit calculated in accordance with PRC accounting standards after a portion of the net profit being set aside as the statutory reserve. The statutory reserve is prohibited from dividend distribution. The restrictions on the dividend distribution of our PRC Subsidiaries may affect our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

Restrictions on the remittance of RMB into and out of the PRC and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.

The PRC Government imposes controls on the convertibility of RMB into foreign currencies and the remittance of currency out of China. We receive a considerable portion of our revenue in RMB. Under our current corporate structure, we may rely on dividend payments from our PRC Subsidiaries. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments to certain suppliers and payments of dividends declared in respect of our Shares, if any. Shortages in the availability of foreign currency may restrict the ability of our PRC Subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from and/or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC Government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of China.

RISK FACTORS

RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to completion of the Global Offering, there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the Global Offering. The Offer Price is the result of negotiations between our Company and the Sole Global Coordinator (for themselves and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after completion of the Global Offering.

The trading price of our Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. A number of PRC-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the Global Offering may experience further dilution in their shareholding percentage.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and Controlling Shareholders, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and Controlling Shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

RISK FACTORS

The Shares held by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

Our Controlling Shareholders may exert substantial influence over us and may not act in the best interests of our independent Shareholders.

Immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), our Controlling Shareholders will beneficially own approximately 75% of our issued Shares. Our Controlling Shareholders will be in a position to exert significant influence over the affairs of our Company and will be able to influence the outcome of any shareholders' ordinary resolutions, irrespective of how other shareholders vote. The interests of our Controlling Shareholders may not necessarily align with the interests of our Shareholders as a whole, and this concentration of ownership may also have the effect of delaying, deferring or preventing a change in control of our Company.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry expert reports, contained in this Prospectus.

This Prospectus, particularly the section headed "Industry Overview", contains information and statistics relating to certain industries related to our business. Such information and statistics have been derived from third-party report commissioned by us, various government publications and other publicly available sources. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sponsor, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. In any event, you should consider carefully the importance placed on such information or statistics.

RISK FACTORS

You should read the entire Prospectus carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this Prospectus, there has been press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this Prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this Prospectus, we disclaim responsibility for it and you should not rely on such information.

**WAIVER AND EXEMPTION FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND THE COMPANIES (WUMP) ORDINANCE**

For the purpose of the Listing, our Company has sought the following waivers and exemption from the Stock Exchange and the SFC in relation to certain requirements under the Listing Rules and the Companies (WUMP) Ordinance.

**WAIVER AND EXEMPTION FROM STRICT COMPLIANCE WITH RULE 4.04(1) OF
THE LISTING RULES AND PARAGRAPHS 27 AND 31 OF THE THIRD SCHEDULE
TO THE COMPANIES (WUMP) ORDINANCE**

According to Rule 4.04(1) of the Listing Rules, we are required to include in this Prospectus an accountants' report covering the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of this Prospectus.

Similarly, section 342(1)(b) of the Companies (WUMP) Ordinance stipulates that we should state the matters specified in Part I of the Third Schedule to the Companies (WUMP) Ordinance and set out the reports specified in Part II of that Schedule in this Prospectus. Under paragraphs 27 and 31 of the Third Schedule to the Companies (WUMP) Ordinance, we are required to include in this Prospectus (i) a statement as to the gross trading income or sales turnover (as may be appropriate) of our Group during each of the three financial years immediately preceding the issue of this Prospectus including an explanation of the method used for the computation of such income or turnover, and a reasonable break-down between the more important trading activities; and (ii) a report by our auditors with respect to the profits and losses and assets and liabilities of our Group in respect of each of the three financial years immediately preceding the issue of this Prospectus.

The Accountants' Report set forth in Appendix I to this Prospectus contains the combined results of our Group for each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, and is in compliance with the requirements under Rule 8.06 of the Listing Rules. However, strict compliance with Rule 4.04(1) of the Listing Rules and paragraphs 27 and 31 of the Third Schedule to the Companies (WUMP) Ordinance would be unduly burdensome for us as there would not have been sufficient time for the reporting accountants of our Company to complete and finalise the audit of the consolidated financial statements of our Group for the full financial year ended 31 December 2017 for inclusion in this Prospectus.

Our Directors have confirmed that the exemption and the waiver as mentioned below would not prejudice the interests of the investing public based on the following circumstances:

- (a) after performing all due diligence work which our Directors consider to be necessary, save for the listing expenses, there is no material adverse change in the financial and trading positions or prospects of our Group from 1 September 2017 to 31 December 2017, and our Directors will ensure this will remain to be the case up to the date of this Prospectus;

**WAIVER AND EXEMPTION FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND THE COMPANIES (WUMP) ORDINANCE**

- (b) there is no event which would materially affect the information as contained in the Accountants' Report as set out in Appendix I to this Prospectus, the profit estimate as set out in Appendix III to this Prospectus, the section headed "Financial Information" in this Prospectus and other parts of this Prospectus;
- (c) save as disclosed in "Share Capital" in this Prospectus, they do not contemplate any change to the share capital structure of our Group up to the completion of the Global Offering; and
- (d) on the basis of the above, our Directors consider that all information that is reasonably necessary for potential investors to make an informed assessment of the financial and trading positions or prospects of our Group has already been included in this Prospectus.

A certificate of exemption has been granted by the SFC under section 342A of the Companies (WUMP) Ordinance on the conditions that (i) this Prospectus will be issued on or before 28 February 2018 and the Shares will be listed on or before 31 March 2018, i.e. three months after the latest financial year end; and (ii) the particulars of the exemption are set out in this Prospectus.

An application has also been made to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 4.04(1) of the Listing Rules subject to the following additional conditions:

- (a) the Listing Date shall not be later than three months after the latest financial year end of our Company, i.e. on or before 31 March 2018;
- (b) the SFC granting a certificate of exemption from strict compliance with the requirements set out in section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (WUMP) Ordinance subject to such conditions as the SFC thinks fit in the granting of such certificate of exemption;
- (c) a profit estimate for the financial year ended 31 December 2017 in compliance with Rules 11.17 to 11.19 of the Listing Rules shall be included in this Prospectus; and
- (d) a Directors' statement that, save for the listing expenses, there is no material adverse change to the financial and trading positions or prospects of our Group with specific reference to the trading results from 1 September 2017 to 31 December 2017 shall be included in this Prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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 Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this Prospectus is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

UNDERWRITING

This Prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this Prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering will be fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to the agreement to the Offer Price between our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriter). The Global Offering is managed by the Sole Global Coordinator. The International Placing will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this Prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Sole Global Coordinator (for itself and on behalf of the other Underwriter) and our Company on or around Thursday, 1 March 2018 (Hong Kong time) or such later time as may be agreed between the Sole Global Coordinator (for itself and on behalf of the other Underwriter) and our Company, but in any event no later than Friday, 2 March 2018 (Hong Kong time) (or such other date as may be agreed between our company and the Sole Global Coordinator) (for itself and on behalf of the Underwriters). If, for any reason, the Offer Price is not agreed among our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriter), the Global Offering will not proceed.

RESTRICTIONS ON SALES OF OFFER SHARES

No action has been taken to permit a public 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 may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or 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 U.S., except in compliance with the relevant laws and regulations of such jurisdiction.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this Prospectus and the related Application Forms. No person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this Prospectus, and any information or representation not contained in this Prospectus must not be relied upon as having been authorised by our Company, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Sole Sponsor, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Global Offering.

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

Prospective applicants for 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. 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 OF THE SHARES ON THE STOCK EXCHANGE

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued as mentioned in this Prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

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

HONG KONG REGISTER AND STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our register of members to be maintained in Hong Kong. Our principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands. Dealings in Shares registered in the Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for or purchasing, holding or disposing of or dealing in the Offer Shares, you should consult your professional advisers. None of the Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors and any other person involved in the Global Offering accepts responsibility for any tax effects on, or liability of, any person or holders of Shares resulting from subscribing for, purchasing, holding or disposing of or dealing in the Offer Shares.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and the related stabilisation exercise are set out in the section headed “Structure of the Global Offering” of this Prospectus.

STOCK BORROWING ARRANGEMENT

For the purpose of covering over-allocations in the International Placing, the Stabilising Manager, in its capacity as stabilising manager, may borrow up to 23,250,000 Shares from Oceanic Green, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. Such stock borrowing arrangement will be in compliance with Rule 10.07(3) of the Listing Rules.

PROCEDURE FOR APPLICATION FOR THE HONG KONG PUBLIC OFFER SHARES

The procedure for application for the Hong Kong Public Offer Shares is set out in the section headed “How to apply for the Hong Kong Public Offer Shares” of this Prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including conditions of the Global Offering, are set out in the section headed “Structure of the Global Offering” of this Prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and the 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 date of commencement of dealings in the Shares on the Stock Exchange or such other date HKSCC chooses. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect their rights, interest and liabilities.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All necessary arrangements have been made for the Shares to be admitted to CCASS.

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9: 00 a.m. on Thursday, 8 March 2018.

The Shares will be traded in board lots of 4,000 Shares each.

ROUNDING

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.

LANGUAGE

If there is any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail and vice versa. The English translation of the names in Chinese or another language which are marked with “*” and the Chinese translation of names in English which are marked with “*” are for identification purpose only.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Chan Tsan Lam (陳燦林)	Flat A, 21/F, Block 3 Peak One 63 Mei Tin Sha Tin New Territories Hong Kong	Chinese
Mr. Cheng Chak (鄭澤)	Flat D, 41/F, Block 6 Island Resort Chai Wan Hong Kong	Chinese
Ms. Chan Yin Yan (陳燕欣)	Flat D, 39/F, Tower 1 The Waterfront 1 Austin Road Kowloon Hong Kong	Chinese
Independent non-executive Directors		
Mr. Lo Ka Ki (盧家麒)	Flat E, 20/F, Block 2 Tai Hing Gardens Phase II, 2 Ho Hing Circuit Tuen Mun, New Territories Hong Kong	Chinese
Mr. Hung Chun Leung (洪俊良)	Flat C, 37F, Block 8 Royal Ascot 1 Tsun King Road Shatin, New Territories Hong Kong	Chinese
Mr. Chan Bing Kai (陳秉階)	Flat D2, 1/F Pine Villa 4-14 Lok Yuen Path Shatin, New Territories Hong Kong	Chinese

For further details of our Directors, please refer to the section headed “Directors and Senior Management” in this Prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

Innovax Capital Limited

Room 2002, 20/F
Chinachem Century Tower
178 Gloucester Road
Wan Chai
Hong Kong
(A licensed corporation under the SFO permitted to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO))

Sole Global Coordinator and Sole Bookrunner

Wealth Link Securities Limited

Unit B1, 5/F
Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

Joint Lead Managers

Wealth Link Securities Limited

Unit B1, 5/F
Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

Innovax Securities Limited

Units A-C, 20/F
Neich Tower
128 Gloucester Road
Wan Chai
Hong Kong

Co-Managers

Marketsense Securities Limited

Unit 7801-7803, 78/F
The Centre
99 Queen's Road Central, Central
Hong Kong

Grand Partners Securities Limited

9/F, Connaught Harbourfront House
35-36 Connaught Road West
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisers to the Company

As to Hong Kong law:

Troutman Sanders

34th Floor, Two Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC law:

Jingtian & Gongcheng

1202-1204, K. Wah Centre
1010 Huaihai Road (M)
Xuhui District
Shanghai 200031
China

As to Cayman Islands law:

Conyers Dill & Pearman

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111 Cayman Islands

Legal advisers to the Sole Sponsor and Underwriters

As to Hong Kong law:

Loeb & Loeb LLP

21st Floor, CCB Tower
3 Connaught Road Central
Hong Kong

As to PRC law:

Global Law Office

Units B/C, 26F, Tower 5
Dachong International Center
No. 39 Tonggu Road
Nanshan District
Shenzhen 518055
China

Auditors and reporting accountants

Mazars CPA Limited

Certified Public Accountants
42/F, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Industry consultant**Frost & Sullivan International Limited**

1706, One Exchange Square
8 Connaught Place
Central
Hong Kong

Compliance adviser**Innovax Capital Limited**

Room 2002, 20/F
Chinachem Century Tower
178 Gloucester Road
Wan Chai
Hong Kong

Receiving bank**Standard Chartered Bank (Hong Kong) Limited**

15/F, Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong, Kowloon
Hong Kong

Property valuer**Roma Appraisals Limited**

22/F, China Overseas Building
139 Hennessy Road
Wanchai
Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business in the PRC	Dongjiang Hi-New Tech Ind. Park, Huicheng District Shuikou Town, Huizhou Guangdong Province, PRC
Headquarters and principal place of business in Hong Kong	Workshop Unit 6 13th Floor, Block B Hoi Luen Industrial Centre 55 Hoi Yuen Road Kwun Tong Hong Kong
Company's website	www.hktcgroup.com <i>(the information contained on this website does not form part of this Prospectus)</i>
Company secretary	Ms. Poon Po Han Lisa (潘寶嫻) <i>(FCCA, ACIS, ACS)</i> Flat C, 21/F, BLK 3A Tierra Verde 33 Tsing King Road Tsing Yi New Territories Hong Kong
Authorised representatives	Mr. Chan Tsan Lam (陳燦林) Flat A, 21/F, Block 3 Peak One 63 Mei Tin Sha Tin New Territories Hong Kong

CORPORATE INFORMATION

	<p>Ms. Poon Po Han Lisa (潘寶嫻) Flat C, 21/F, BLK 3A Tierra Verde 33 Tsing King Road Tsing Yi New Territories Hong Kong</p>
Audit committee	<p>Mr. Lo Ka Ki (盧家麒) (<i>chairman</i>) Mr. Hung Chun Leung (洪俊良) Mr. Chan Bing Kai (陳秉階)</p>
Remuneration committee	<p>Mr. Chan Bing Kai (陳秉階) (<i>chairman</i>) Mr. Chan Tsan Lam (陳燦林) Mr. Lo Ka Ki (盧家麒)</p>
Nomination committee	<p>Mr. Chan Tsan Lam (陳燦林) (<i>chairman</i>) Mr. Hung Chun Leung (洪俊良) Mr. Lo Ka Ki (盧家麒)</p>
Cayman Islands principal share registrar and transfer office	<p>Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands</p>
Hong Kong Share Registrar	<p>Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong</p>
Principal Bankers	<p>Bank of China Bank of China Tower 1 Garden Road Hong Kong</p> <p>The Hongkong and Shanghai Banking Corporation 1 Queen's Road Central Hong Kong</p>

INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Sole Sponsor, the Joint Lead Managers, the Underwriters, or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering nor is any representation given as to its accuracy or completeness. Accordingly, you should not place undue reliance on such information or statistics.

REPORT COMMISSIONED FROM FROST & SULLIVAN

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the China plastic mould fabrication, plastic components manufacturing and e-cigarette manufacturing market for the period from 2011 to 2021. The report prepared by Frost & Sullivan for us is referred to in this Prospectus as the Frost & Sullivan Report. Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. We incurred a fee of HK\$800,000 for the engagement of Frost & Sullivan which we believe reflects market rates for reports of this type.

Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the China plastic mould fabrication, plastic components manufacturing and e-cigarette manufacturing market. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors.

In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the stable and healthy development of the China plastic mould fabrication, plastic components manufacturing and e-cigarette manufacturing market. In addition, Frost & Sullivan has developed its forecast on the following bases and assumptions: The economies of China and United States are likely to maintain stable growth in the next decade and the respective countries and regions' social, economic and political environment is likely to remain stable in the forecast period. Additionally, China plastic mould fabrication, plastic components manufacturing and e-cigarette manufacturing markets are expected to grow based on the macroeconomic assumptions of the respective economy. Additional key industry drivers include: increasing demand for plastic products from downstream industries, strengthening manufacturing sectors, shifting consumer behaviour, rising penetration to existing smokers, and technological advancement in manufacturing.

OVERVIEW OF CHINA PLASTIC MOULD FABRICATION MARKET

Definition and Introduction

Mould is defined as a rigid frame or block with hollowed-out structure and specific pattern, which can be filled with liquid or fluid including plastic, metal, glass and ceramic raw materials. Moulding refers to the manufacturing process using mould for shaping liquid or fluid and producing an object with a shape that corresponds to the pattern in the mould. In many downstream industries (e.g., automobile), the quality of the mould may impact the quality of end products as the mould determines the structure and dimension of parts.

Plastic mould is one of the common forms of moulds in China, which accounted for approximately 30% of overall mould fabrication market in China. Similarly, injection moulding is a common technique for production of plastic objects by injecting material into a mould.

Plastic moulds can be classified by (i) moulding methods and (ii) level of precision.

Classification by moulding methods

1. Plastic injection mould – the most common form of moulds for production of thermoplastic components. The process involves melting of plastic, followed by injection of melted plastics into the cavity of injection moulds, cooling and hardening of plastic components.
2. Plastic compression mould – commonly used for production of thermosetting plastic, which involves heating of moulds, followed by addition of compression moulding powder and applying heat and pressure until plastic material is cured.
3. Plastic extrusion mould – commonly used for production of continuous plastic products like pipe, bar, sheet, film, wire and cable through extrusion of melted plastic through a die in specific shapes.
4. Plastic blow mould – commonly used for production of hollow plastic parts (e.g. plastic containers) with the use of air pressure to push the melted plastic into a shape matching the plastic mould.
5. Plastic suction mould – commonly used for packaging for food, toys based on vacuum or compressed air moulding with sheet form of plastic as raw materials.
6. Highly expandable polystyrene mould – commonly used for production of expanded polystyrene as packaging material with the addition of polystyrene beads and foaming agent, followed by steam moulding.

INDUSTRY OVERVIEW

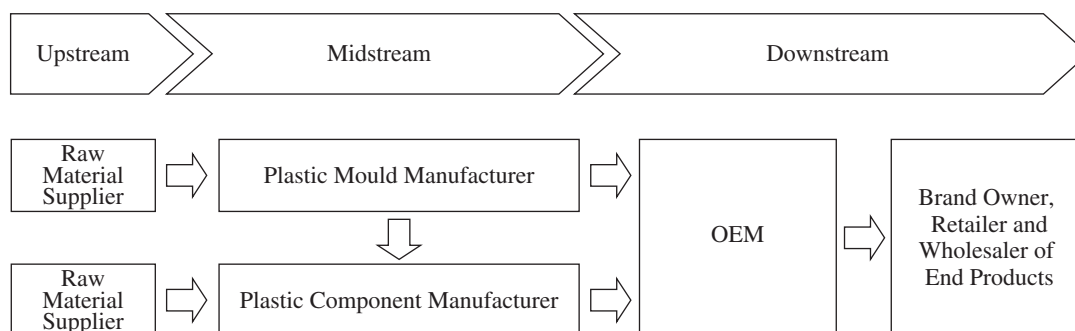
Classification by level of precision

Based on the precision level of moulded plastic parts, plastic moulds can be divided into seven precision levels, namely Moulding Type (“MT”) 1 to MT7. MT1 represents the highest precision and MT7 represents the lowest. The precision level refers to the allowance on deviation in parameters such as dimensions and shapes. Plastic mould products of MT3 and over are generally categorised as precision moulding parts, while products below MT3 (i.e., MT4-MT7) are of standard precision. Precision moulding type could be further classified as high precision (M1, M2) and medium precision (M3).

There are various requirements on precision level of plastic components. Quality and performance of plastic components manufactured by plastic moulding process is associated with the quality of plastic injection moulds. Higher precision parts are usually applied in products such as electronic devices, power tools, engines, and medical equipment. Plastic parts of lower precision are common for furniture and daily consumables.

Value Chain Analysis

The value chain of plastic mould fabrication and plastic component manufacturing market in China consists of upstream, midstream and downstream participants. Plastic mould manufacturers sources key raw materials including steel as well as other equipment from upstream suppliers for mould fabrication. Fabricated moulds produced by plastic mould manufacturers will be used for moulding (e.g., injection moulding) for manufacturing of plastic products including parts, casing by either the plastic mould manufacturer itself or external plastic component manufacturer, under the instruction of customers such as OEM and brand owners. In addition, OEMs may purchase the plastic mould and appoint third parties for plastic manufacturing. OEMs are responsible for sourcing plastic components and parts and oversee the assembly into final products prior to delivery to their customers, including retailers, brand owners, wholesalers.



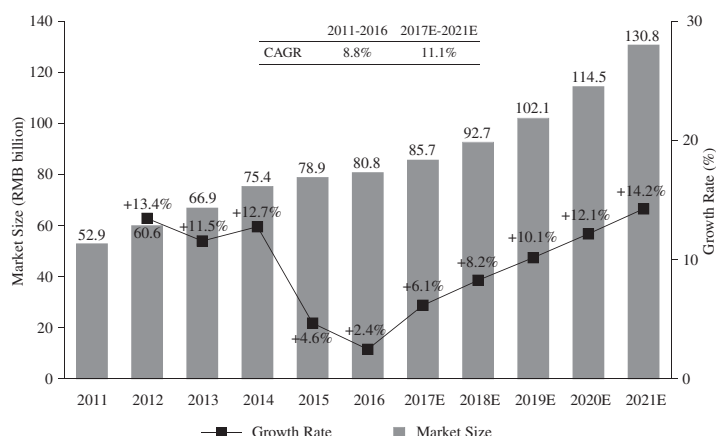
Source: Frost & Sullivan

INDUSTRY OVERVIEW

Market Size of Plastic Mould Fabrication

The expansion of downstream application across different industries (e.g. automobile, electronics, industrial production) and increasing trade and export activities have contributed to the growth of plastic mould fabrication market in China. The market size of plastic mould fabrication by revenue in China has witnessed a growth from RMB52.9 billion in 2011 to RMB80.8 billion in 2016, representing a CAGR of 8.8%. The slowdown in the growth during 2015 to 2016 was mainly attributable to the weakened global demand, decline in export value and thus affected export of plastic moulds. With the continuous economic development and manufacturing activities, the market size of plastic mould fabrication by revenue in China is estimated to grow at a CAGR of 11.1% during forecast period, reaching RMB130.8 billion in 2021.

Market Size of Plastic Mould Fabrication by Revenue (China), 2011-2021E



Source: Frost & Sullivan

Market Drivers

Strengthening manufacturing sector. The consumption of plastic mould and injection moulding is highly associated with the downstream manufacturing sectors which receive support from the Chinese government. For example, China's State Council (中國國務院) published "Made in China 2025" (《中國製造2025》) in 2015 as a national initiative to improve the different aspects of the manufacturing industry, covering intelligent and green production, quality improvement, optimisation of structure and innovation-driven manufacturing. Therefore, such transformation will drive the use of plastic mould in various sectors.

Diversifying application in various sectors. Plastic mould has exhibited a strong penetration across various industries for application. Taking advantage of unique characteristics including its lightweight, resistance to corrosion, chemicals and water, durability and economical, plastic is considered a good substitute for product design and engineering in some industrial sectors such as automobile manufacturing, and may gradually replace metals for production of parts and accessories. The frequent launch of new consumer products in new designs and styles may also boost the demand for plastic mould fabrication.

INDUSTRY OVERVIEW

Market Trend

Higher requirement of plastic production. With the increasingly diverse downstream application of plastic products, more stringent requirements on plastic mould and moulding process are expected to be introduced. Technically, “National Standard of the People’s Republic of China GB/T14486-2008-Dimensional Tolerances for Moulded Plastic Parts” (《中華人民共和國國家標準GB/T14486-2008 – 塑料模塑件尺寸公差》) classified precision level of a plastic mould into seven grades and it is expected that there will be demand for moulds with higher precision level in view of increasing complexity of plastic components for consumer goods. Furthermore, manufacturers of consumer goods are anticipating a shorter lead time and lifecycle for production of plastic mould to meet their own production schedule, particularly for overseas clients.

Increasing application of new production technology. Plastic mould fabrication market in China may demonstrate a higher level of adoption to information and technology in the future. For example, with reference to the overseas plastic mould manufacturers, CAD, CAE, CAM, CNC, slow wire-cut for three-dimension drawings, design, prototype creation and mass production, have been adopted. Thus, a higher level of automation and use of computer-aided technology is anticipated for plastic mould makers in China. In addition, some China-based plastic mould makers have developed manufacturing management system with database for design, 3D standard to achieve higher levels of precision and efficiency.

Growing awareness towards green production. Manufacturing industries including plastic mould maker and moulding companies may shift towards green production which emphasise the effective use of resources and reduced emission. In 2016, the Ministry of Industry and Information technology (工業和信息化部) issued the Implementation Guide for Green Manufacturing and Engineering (2016 – 2020) (《綠色製造工程實施指南(2016-2020年)》) and set out the initiatives for promoting green production. Specifically, the Guide highlighted the use of carbon dioxide for production of plastic materials and adoption of new three-dimension technology for production of parts with minimum wastage. Thus, market participants may follow the initiatives under the support of the government.

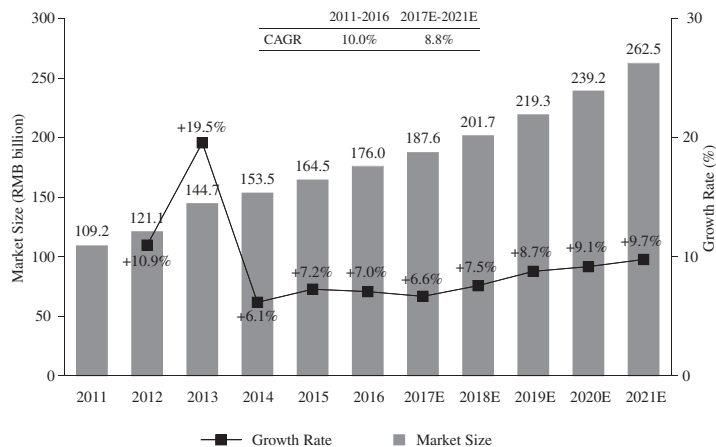
OVERVIEW OF CHINA PLASTIC COMPONENTS MANUFACTURING MARKET

Plastic is defined as a synthetic material made from a wide range of organic polymers that can be melted and moulded into a desired shape and set into a rigid form with the use of plastic mould. In general, plastic can be categorised into thermoplastic and thermosetting plastic, the former one can be remelted into liquid while the latter one always remains in a permanent solid state. Common characteristics of plastics include (i) chemical resistance, (ii) good insulating properties, (iii) light in weight, (iv) ease of processing and (v) wide range of application.

INDUSTRY OVERVIEW

Similar to plastic mould fabrication, market size of plastic components manufacturing with plastic moulding witnessed a significant growth from RMB109.2 billion in 2011 to RMB176.0 billion in 2016, representing a CAGR of 10.0%. The expansion of plastic mould fabrication market as well as strong demand from application sectors serve as key drivers to the plastic components manufacturing market and it is expected to grow at a CAGR of 8.8% during 2017 to 2021, reaching RMB262.5 billion by 2021.

Market Size of Plastic Components Manufacturing by Revenue (China), 2011-2021E



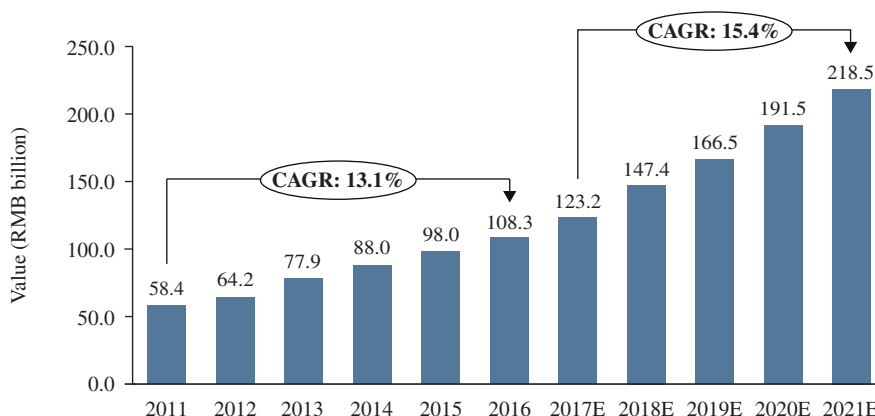
Source: Frost & Sullivan

Demand for PET furniture in China depends on the level of people's disposable income, living standard and in turn their purchasing power. The revenue of PET furniture manufacturing industry in China increased from RMB58.4 billion in 2011 to RMB108.3 billion in 2016, representing a CAGR of 13.1%.

As a result of the improved living standard in China, people are willing to invest more in home decoration. Combined with the increased demand for furniture caused by household replacement and accelerated urbanisation, the PET furniture manufacturing industry is likely to benefit from such growth in demand. The revenue of PET furniture manufacturing industry in China is expected to grow at a CAGR of 15.4% from 2017 to 2021, reaching RMB218.5 billion by 2021.

INDUSTRY OVERVIEW

Revenue of Polyethylene Terephthalate Furniture Manufacturing Industry (China), 2011-2021E



Source: Frost & Sullivan

Market Trend

Diversified application. Development of new technology contributed to the extended application of plastic materials into different application sectors, such as agriculture, construction, transportation, medical and health, packaging of consumer goods. Hence, plastic materials with various properties such as tensile strength, are expected to demonstrate a growing penetration in different downstream sectors. For example, apart from electrical appliances, PET has revealed various application as thin film in video tape, bottle, packaging and even textile materials.

Use of recyclable materials. Although thermoplastics are usually recyclable and can be re-moulded, thermosetting plastics cannot be re-processed into new plastics. Meanwhile, with implementation of government policies to support green production as well as growing environmental awareness of consumers, it is anticipated that manufacturers will adopt a more environmentally-friendly approach for production of plastic components and the use of recyclable materials will be preferred due to reduced cost for purchasing and processing primary form of plastics.

Market consolidation. In general, plastic components manufacturing required the application of plastic mould to generate desired end products. As estimated, around half of the plastic mould fabricators in China are also manufacturing plastic components for equipment manufacturers to generate additional income. Market consolidation is expected to take place in the industry due to synergy for plastic mould fabrication and plastic component manufacturing, as well as strengthening the scale of operation for existing market participants.

INDUSTRY OVERVIEW

Application in downstream sectors

Office Electronics. Plastic mould is required for the manufacture of parts and cases of some office equipment including printing machines, fax machines and monitors. According to National Bureau of Statistics, the production volume of photocopying and printing machines had shown a moderate growth from 6.6 million units in 2011 to 6.8 million units in 2016, representing a CAGR of 0.9%. However, production volume of fax machines had recorded a mild decline at a CAGR of -0.9% during the same period of time. Due to the advancement of display technology, the production volume of monitors in China has increased from 126.8 million units in 2011 to 173.7 million units in 2015, representing a CAGR of 8.2%. Substantial demand for plastic mould and plastic components is expected in the future.

Furniture. The furniture market in China has witnessed an expansion during recent years due to growing demand from residential and commercial sectors, which increasingly considers furniture as a necessity in business and office environment. With the rising income level and quality of life, manufacturers are dedicated to launch furniture with new design and the use of plastic materials are recognised as a key trend due to specific properties such as light weight, easy to mould and colour. According to the National Bureau of Statistics of China, the revenue of furniture manufacturing industry and retail sales value of furniture in China increased at a CAGR of 11.4% and 18.7% respectively during 2011 to 2016. The growth indicated that there is a growing consumption of plastic components.

Home Appliances. Driven by the rise of population and urbanisation as well as growing demand for consumer goods, the production volume of home appliances in China has shown a significant growth over the past five years. The production volume of home appliances including colour television, household washing machines, air conditioners and household refrigerators had witnessed growth at a CAGR of 7.0%, 2.7%, 2.9% and 1.2% respectively during 2011 to 2016. It is expected that the plastic mould and moulding market in China is expanding along with the higher output of home appliances in the country.

The rising urban population and improvement of income level serve as key drivers for the demand for home appliance. In particular, the large base of population underpinned the penetration of home appliance. According to the National Bureau of Statistics of China, the total population of China increased steadily from 1,347.4 million in 2011 to 1,374.6 million in 2015. On the other hand, home appliances underwent a diversification in terms of design, appearance, size and function with a shift towards high-end segment as featured with higher spending on such products. The retail sales value of home appliances, audio and video equipment increased from RMB537.4 billion in 2011 to RMB900.4 billion in 2016, according to National Bureau of Statistics. The emergence of Smart City, including Smart Home which covers intelligent control of home appliance and setting, contributes to the new product development and design, resulting in higher consumption of plastic mould.

INDUSTRY OVERVIEW

Communication Equipment. Plastic mould and injection moulding is commonly applied for production of cases, parts and packaging of communication products. The market size of communication equipment manufacturing by revenue has recorded a significant growth at a CAGR of 25.3% during 2012 to 2015. Similarly, the retail sales value of communication equipment has registered a more substantial growth at a CAGR of 29.5% during 2011 to 2016. Furthermore, the production volume of mobile phones increased from 1,143.0 million units in 2011 to 2,261.1 million units in 2016, representing a CAGR of 14.6%. The diversification in design of communication equipment such as mobile phones, parts and accessories contributes to the demand for a variety of plastic mould for the manufacture of these plastic items. Thus, the consumption of plastic products for communication equipment is anticipated to increase in future.

Automobile. Automobile is considered as one of the key downstream application segments for plastic mould as some of the essential interior parts are made from plastic. According to National Bureau of Statistics, the production volume of vehicles in China has increased from 19.2 million units in 2011 to 28.2 million units in 2016, representing a CAGR of 8.0%. Similarly, the number of newly registered vehicles in China has increased from 16.2 million units in 2011 to 23.3 million units in 2015, representing a CAGR of 9.5%. Furthermore, as extracted from Trade Map, the export value for vehicle parts in China has shown an overall growth from USD21.2 billion in 2011 to USD25.5 billion in 2016, which represents a CAGR of 3.8%. As a result, the expansion of automobile production and application in China underpinned the growth of the plastic mould and moulding market.

Production of automobile involves the assembly of a number of components and parts for various systems within a vehicle. In view of the growing trend of environmental awareness and emergence of electric vehicles, plastic has been used as a substitute for traditional metallic materials in some core systems such as power and transmission systems, fuel tanks to achieve fuel economy. As set out in the “Energy-saving and New Energy Automotive Industry Development Plan (2012-2020)” (《節能與新能源汽車產業發展規劃(2012-2020年)》) announced by the State Council, the population of pure and plug-in hybrid electric vehicles is estimated to reach five million units by 2020. Furthermore, automobile manufacturers in China has put a higher emphasis on improvement of performance and appearance of vehicles to meet the increasing demand for high end vehicles in the country, which affords a good opportunity for plastic mould with high quality.

INDUSTRY OVERVIEW

OUTLOOK OF PET FURNITURE MANUFACTURING INDUSTRY IN CHINA

Demand for Environmental Friendly Furniture

As a result of the increasing awareness of environmental protection in China, consumers are shifting their focus to PET furniture. In addition, due to the continuous increase in disposal income, consumers may consider environmental friendly furniture despite the higher costs. In light of this, many furniture and construction material brands have added environmental friendliness into their brand concept. PET is considered a highly sustainable material as it can be fully recycled, and its petroleum feedstocks can be recaptured and reused. Therefore, PET has become a desirable furniture material due to its versatility, strength and retrievability. Meanwhile, the tightening controls on furniture manufacturing standards are expected to further support the increasing market demand for PET furniture.

Technological Innovation

Smart offices and smart homes became popular in China in line with improving internet and digital technology. As a result, the integration of digital technologies with office and home furniture is expected to be a key development trend in the future. The application of technology in product design may provide growth opportunities for the industry.

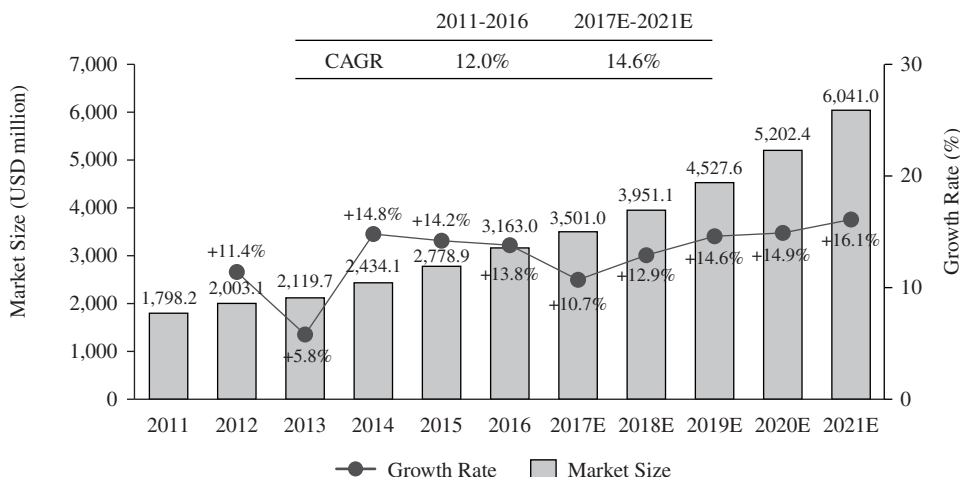
OVERVIEW OF ELECTRIC SELF-BALANCING SCOOTER AND SKATEBOARD MARKET

Market Size

With the launch of new models of electric self-balancing scooters and skateboards by retailers and manufacturers, the global market value of electric self-balancing scooters and skateboards increased from approximately USD1,798.2 million in 2011 to approximately USD3,163.0 million in 2016, representing a CAGR of 12.0%. Driven by the higher availability of electric self-balancing scooters and skateboards at a more affordable price, it is expected that the market size of electric self-balancing scooters and skateboards by value in the global market will increase at a CAGR of 14.6% during 2017 to 2021, reaching USD6,041.0 million by 2021.

INDUSTRY OVERVIEW

Market Size of Electric Self-balancing Scooter and Skateboard by Value (Global), 2011-2021E



Source: Frost & Sullivan

Market Outlook

Rise of Chinese ODM and brands in global market. With relatively low labour cost and a well-developed value chain in manufacturing industry, China has been one of the largest manufacturers and exporters of electric self-balancing scooters and skateboards in the world. The majority of manufacturers of these products in China used to serve as OEM for foreign brands. Driven by increasing domestic demand, technological advancement and expansion of retail market, there is a growing presence of Chinese ODM and Chinese brands of electric self-balancing scooters and skateboards in the global and local markets. In particular, the emergence of an e-commerce platform and online retail market enables Chinese manufacturers to sell their own branded products with wide geographic coverage and the trend is expected to continue given the increasing global penetration of the internet.

Higher safety level and product quality. Consumers and the government have become increasingly aware of the safety of electric self-balancing scooters and skateboards. For example, such products are required to have a speed limit of 20 kilometers per hour or below in China and limited usage on the road in certain other countries like the United States. On the other hand, following the adoption of the Guangdong Provincial Standard (DB44/T1884-2016), the first domestic electric self-balancing scooter industry standard in early 2017, the quality of products manufactured in Guangdong province under the standard is set to be strengthened in terms of vehicle performance, battery, electrical and mechanical safety. Furthermore, the “Made in Guangdong” labeling scheme has also enhanced the standard of manufacturing requirement in Guangdong province.

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Upgrade of product performance and diversification. With technological advancement, electric self-balancing scooters and skateboards are becoming increasingly diversified in terms of design, use of materials and performance. For example, some products are made of light-weight aluminium alloy instead of steel and equipped lithium battery as a substitute of lead-acid battery. Some additional features such as built-in shock absorbing system and speed control device may also enhance user experience. Moreover, as the price of electric self-balancing scooters and skateboards becomes more affordable due to higher availability, the applications available to end users is expected to widen in the future.

COMPETITIVE LANDSCAPE IN PLASTIC MOULD FABRICATION AND PLASTIC COMPONENT MANUFACTURING MARKET IN CHINA

Overview of Competitive Landscape

The market of plastic mould fabrication and plastic component manufacturing in China is highly fragmented. As estimated, there were approximately 20,000 market participants principally engaged in the business in 2016. In terms of revenue generated from plastic mould fabrication and plastic component manufacturing in China, the top five market players contributed approximately 4.4% of aggregated market share in 2016.

The Group has an approximate market share of 0.1% in plastic mould fabrication and plastic component manufacturing market in China in 2016.

Entry Barriers

High capital investment. The business of plastic mould fabrication and plastic components is capital intensive in nature as a substantial amount of investment is required for setting up production facilities, acquisition of equipment and machineries as well as the recruitment and training of technical staff and labour. Continued investment is also required to maintain the normal operation of production facilities. In addition, the increasing labour cost in the manufacturing industry is expected to put a financial burden on new entrants to plastic mould fabrication and plastic components manufacturing market.

Technical know-how and expertise. Plastic mould fabrication and plastic components manufacturing requires sophisticated knowledge on design, processing and application of moulds. In particular, plastic mould fabrication involves the use of high level of technology to ensure the accuracy in moulding process to generate desired end products in a precise manner. Customers including equipment manufacturers put high emphasis on the precision level of plastic moulds and the quality of associated plastic components. Hence, new entrants without strong technical knowledge in plastic mould fabrication may not be able to produce high quality plastic components to customers.

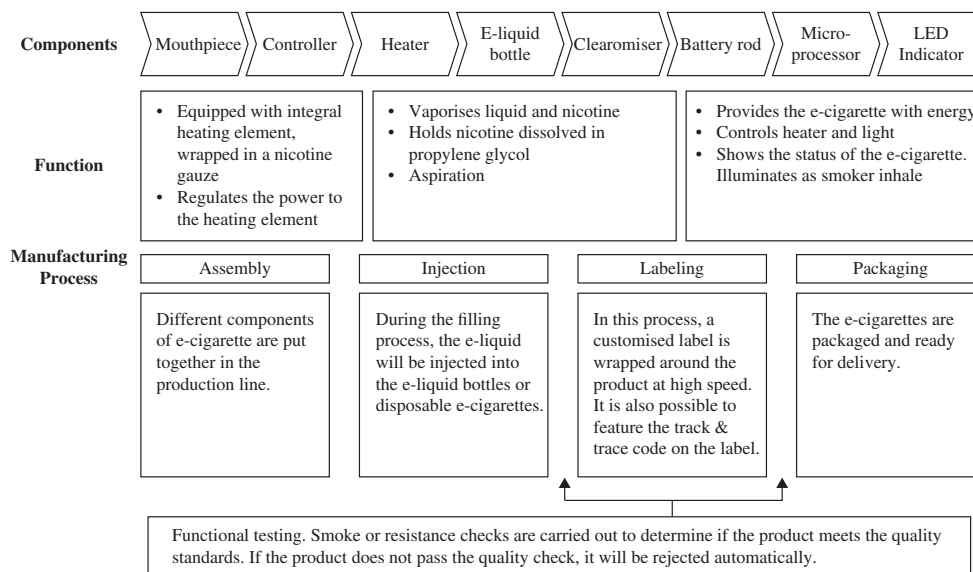
INDUSTRY OVERVIEW

Production efficiency and service level. Plastic mould fabricators and plastic components manufacturer are expected to demonstrate a higher level of production efficiency as well as timely delivery to meet the customer requirement, which is mainly attributable to shortening production lead time for equipment manufacturers in view of the shortening product lifecycle in the downstream application sectors due to more frequent launch of consumer products. Moreover, with the expertise and scale of operation, established market participants may provide value-added service to customers. As a result, new entrants without such sufficient operational efficiency may not be able to fulfill the needs of customers.

OVERVIEW OF CHINA E-CIGARETTE MANUFACTURING MARKET

Components, Function and Manufacturing process

Below sets out the components, function and manufacturing process of e-cigarette:



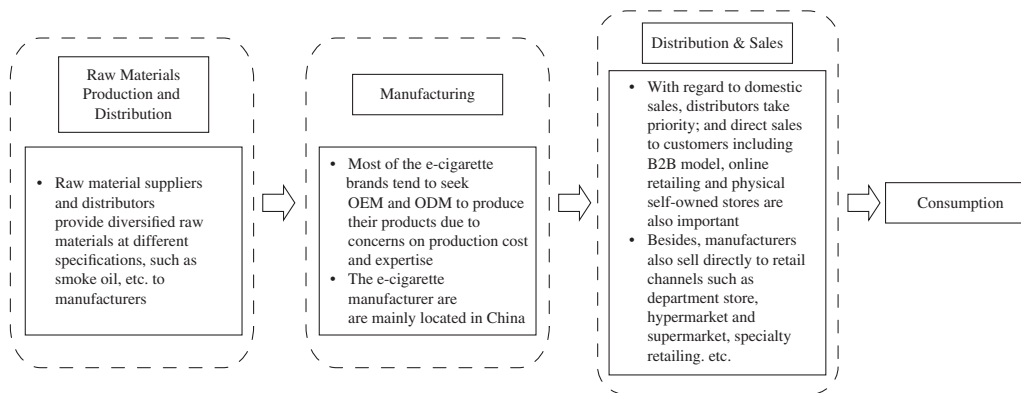
Source: Frost & Sullivan

Note: Controller and micro-processor are parts of PCBA in e-cigarette. The Group is capable of producing plastic components of e-cigarettes such as mouthpiece and controller button, the manufacturing process of which is under the cooperation arrangement with Fontem.

Value Chain Analysis

In e-cigarette manufacturing industry, the brand owners usually outsource the production to external manufacturers including OEM and original ODM. To ensure the quality of products, the brand owners directly source the materials to the manufacturers and perform regular quality assurance check on the manufacturing process. The long-term relationship between the brand owners and manufacturers enables the efficiency and quality of works through division of labour.

INDUSTRY OVERVIEW



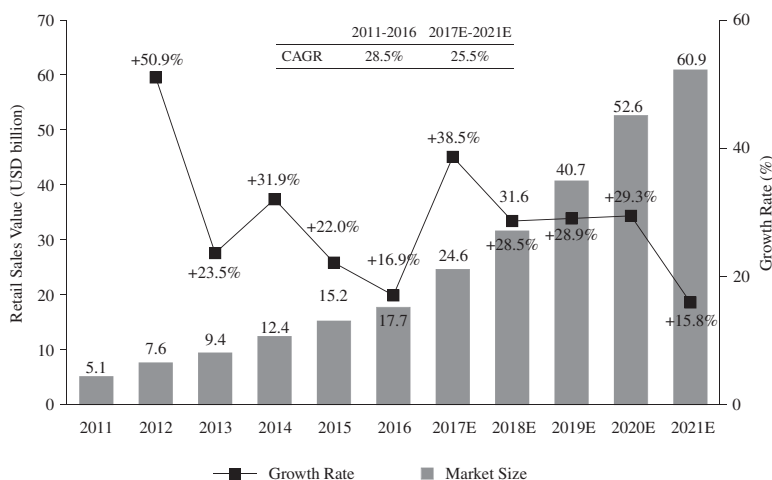
Source: Frost & Sullivan

Market Size of E-cigarette in Global Market

E-cigarettes have emerged as an innovated electronic consumer product with the continuous growth of market acceptance. The global e-cigarette market is currently in the growth stage of development. According to Frost & Sullivan, the global e-cigarette market in terms of retail revenue grew from USD5.1 billion in 2011 to USD17.7 billion in 2016, at a CAGR of 28.5%. It is expected to grow at a CAGR of 25.5% during 2017 to 2021 and reaching USD60.9 billion in 2021.

The robust growth of the global e-cigarette market is mainly attributable to increasing consumer acceptance of e-cigarette products, aggressive market campaigns launched by the tobacco companies, and the accelerated innovation and product development by electronic manufacturers.

Global Retail Sales of E-cigarette (2011-2021E)



Source: Frost & Sullivan

INDUSTRY OVERVIEW

Leading E-cigarette Brands in Global Market

The global e-cigarette retail sales market was fragmented with approximately 15.8% of aggregated market share from top three brands in 2016. Vuse was the leading brand in global e-cigarette retail sales market with a market share with approximately 6.2% in 2016 in terms of sales value, followed by Logic (5.4%) and blu (4.2%).

Ranking of E-cigarette Brands by Retail Sales Value in Global Market

Rank	Brand	Brand Owner	Estimated Retail Sales Value (USD million)	Market Share (%)
1	Vuse	R.J. Reynolds Vapor Company	1,105.4	6.2%
2	Logic	Logic Technology Development LLC	952.8	5.4%
3	blu	Fontem Ventures B.V.	743.8	4.2%
Top three subtotal			2,802.0	15.8%
Others			14,898.0	84.2%
Total			17,700.0	100.0%

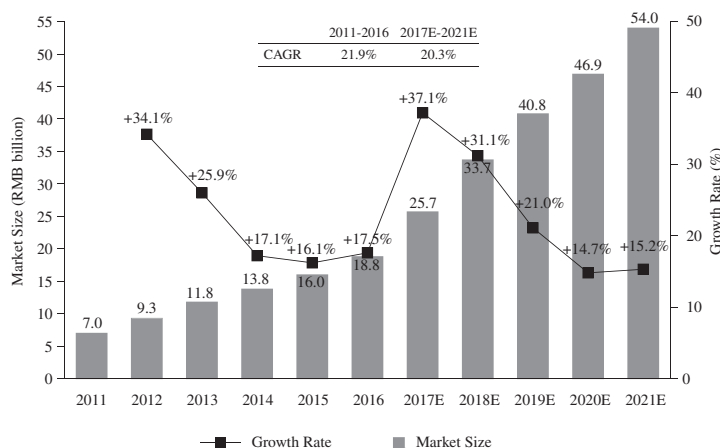
Source: Frost & Sullivan

Market Size of E-cigarette Manufacturing in China

The changing consumer behaviour and increasing penetration have largely given rise to e-cigarettes during the past few years. At the same time, the retailers have launched various promotional campaigns to promote the use of e-cigarette. During 2011 to 2016, market size of e-cigarette manufacturing by revenue increased significantly from RMB7.0 billion in 2011 to RMB18.8 billion in 2016, representing a CAGR of 21.9%.

Along with gradually automated production lines, the China e-cigarette manufacturing market is expected to enjoy continuous growth in the next five years. In 2021, market size is forecasted to reach RMB54.0 billion, increasing at a CAGR of 20.3% during 2017 to 2021.

Market Size of China E-cigarette Manufacturing by Revenue (2011-2021E)



Source: Frost & Sullivan

Market Drivers

Shifting Consumer Behaviour. The attitudes towards cigarette have been changing since the rising awareness of healthy lifestyle and preferences. E-cigarettes are being increasingly adopted by many smokers, especially those who want to quit smoking tobacco but would like to continue vaping. Compared with traditional tobacco, e-cigarette does not produce carcinogenic smoke or tar in vapour under normal operation and there is no evidence that second-hand e-cigarette vapour is dangerous. Some studies concluded that only a trace amount of toxic chemicals in second-hand vapour produced from e-cigarette while the level is too low to be harmful to human and, according to Public Health England and the Royal College of Physicians, e-cigarettes are around 95% safer than smoking. With the increasing number of the potential customers across different countries, the e-cigarette market is therefore expected to witness huge growth in the near future, benefiting the e-cigarette manufacturers.

Safer than Conventional Cigarettes. According to World Health Organisation, primarily based on the type and level of toxicants produced during the typical use of unadulterated Electronic Nicotine Delivery Systems (ENDS)/Electronic Non-Nicotine Delivery Systems (ENNDS) made with pharmaceutical-grade ingredients, it is very likely that ENDS/ENNDS are less toxic than conventional cigarettes. The typical use of unadulterated ENDS/ENNDS produces aerosol that generally includes glycols, aldehydes, volatile organic compounds (VOCs), polycyclic aromatic hydrocarbon (PAHs), tobacco-specific nitrosamines (TSNAs), metals, silicate particles and other elements. In addition, dicarbonyls (glyoxal, methylglyoxal, diacetyl) and hydroxycarbonyls (acetol) are also considered to be important compounds in the aerosol. Many of these substances are toxicants that have known health effects resulting in a range of significant pathological changes. The type and level of known toxicants generated by the typical use of unadulterated ENDS/ENNDS is generally lower than that of conventional cigarettes, except for a few new toxicants specific to ENDS such as glyoxal. However, ENDS/ENNDS may not be totally harmless and the long-term use may still increase the risk of chronic obstructive pulmonary disease such as lung cancer, cardiovascular disease as well as certain diseases associated with smoking. Such risks may be less than that of conventional cigarettes, although there is no sufficient research to quantify relevant risk of ENDS/ENNDS over combustible products. Proof or perception of lower health risk may increase demand for e-cigarettes.

Rising Penetration to Existing Smokers. With the evolving consumer behaviour, the market is shifting the focus to the development of e-cigarette to cater to the rising needs. This is also due to the fact that e-cigarettes are becoming more socially acceptable as a non-smoking alternative. To deliver a high-quality experience, the industry is investing in the product innovations, from diversified flavour to customised design. This trend suggests that the e-cigarette is now more emphasised and becoming the mainstream of the industry. E-cigarette is forecasted to maintain its rising penetration, particularly in the emerging markets, which in turn boosts the sales and benefit the manufacturers.

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Technological Advancement in E-cigarette Manufacturing. The invention of e-cigarettes is reshaping the landscape of cigarette consumption and traditional tobacco business. The industry continues to innovate the design and manufacturing of e-cigarettes. Nowadays, e-cigarettes give people the sensation of smoking with a minimum side-effects and pollution. Apart from the core benefits, e-cigarette manufacturers are expected to put higher emphasis on new design and materials, with a more frequent launch of new products as supported by advancement in technology to enhance user experience. Thus, along with the promotion from retailers and brand owners, the consumption of e-cigarettes is anticipated to increase continuously in different end markets and drive the demand for e-cigarette manufacturing in China.

Market Trend

Rise of Automated Production Lines. Automated production flow is a rising trend in e-cigarette industry. Consistency in quality standards and supply is the key to the further expansion of e-cigarettes in the market. Turn-key automated solutions are designed specifically to bridge the gap in production of e-cigarette, such as cartridge liquid filling, assembly and packaging, with the assistance of the control systems. In this way it can be ensured correct volumes are dispensed and process control parameters are maintained to validated specifications. These control system provides complete tracability of the actions performed during the manufacturing operations.

Green Production. Thanks to the boom in e-cigarettes, the industry is working on the environmentally friendly production, namely the use of recyclable materials and efficient production method. This pattern will surely decrease the number of trees that are required for the cigarette production and minimise its impact on the environment. In addition, streamlining the operational process of e-cigarettes requires less energy and resources in production. This new production method not only reduces the overall production costs, but also enables the manufacturers to act in an environmental friendly manner.

Market Constraints

Tightening Regulation. The e-cigarette industry is facing tightening regulation. The Food and Drug Administration (“FDA”) announced its federal regulations for the burgeoning e-cigarette industry. E-cigarette manufacturers are required to go through a lengthy registration and safety review process with the FDA, providing lists of ingredients, including potentially harmful additives-manufacturing details, and evidence that the product is safe. Manufacturers will have up to two years to sell their products while readying their applications, and up to one additional year while the FDA reviews them. It is expected that more regulations would be imposed on the production of e-cigarette, exerting pressure on the manufacturers, including the counterparties in China.

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Fierce Competition. The e-cigarette manufacturing industry sees a highly competitive market in China. A large number of the e-cigarette manufacturers are located in China, leading to a high level of concentration. In recent years, the shortage of labour and relocation of factories affected the manufacturers in China. The concentrated production pattern of e-cigarette in China would leave it as a constraint to the future development. The imbalance between demand and supply of skilled labour would continue and potentially limit the expansion of manufacturers.

Cost Factor Analysis

Steel is the key raw material for plastic mould fabrication and the price has recorded a declining trend in the past five years. The average price of steel in China has decreased at a CAGR of -14.9% during 2011 to 2016. Polycarbonate (“PC”), polyamide (“PA”), polybutylene terephthalate (“PBT”) are common materials for plastic injection moulding. Similar to price trend of steel, the average price of PC, PA and PBT had recorded a drop at a CAGR of -1.8%, -15.2% and -1.8% respectively during 2011 to 2016.

Average Price of Key Raw Materials in Plastic Mould Fabrication and Plastic Component Manufacturing (China), 2011-2016

Raw Materials	Units	2011	2012	2013	2014	2015	2016	CAGR (2011-2016)
Steel	RMB/Ton	4,500	3,940	3,710	3,100	2,110	2,010	-14.9%
Polycarbonate (“PC”)	RMB/Ton	22,749	20,709	19,435	19,393	18,728	20,748	-1.8%
Polyamide (“PA”)	RMB/Ton	28,447	25,850	20,851	20,537	20,422	12,473	-15.2%
Polybutylene terephthalate (“PBT”)	RMB/Ton	29,297	28,204	27,682	27,275	27,138	26,788	-1.8%

Source: Frost & Sullivan

Battery, printed circuit board (“PCB”), light-emitting diode (“LED”) are the key raw materials for manufacturing of e-cigarette and the price index of these materials in China has recorded a decline during 2011 to 2016 at a CAGR of -2.5%, -2.2% and -14.6% respectively, which was mainly attributable to the higher availability of these materials in the market. Similarly, propylene glycol, as one of the key ingredients in e-liquid, has shown a decreasing price trend during 2011 to 2016 at a CAGR of -7.7%.

INDUSTRY OVERVIEW

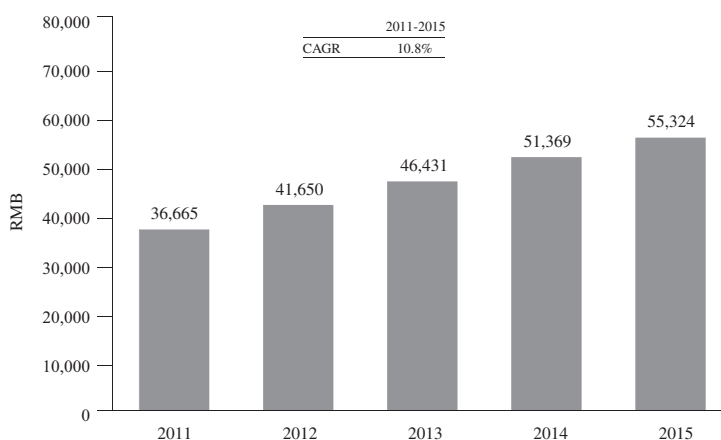
Price Index of Key Raw Materials in E-cigarette Manufacturing (China), 2011-2016

Price Index (2011 = 100)	2011	2012	2013	2014	2015	2016	CAGR (2011-2016)
Battery (Lithium Cell)	100.0	89.5	89.2	94.6	91.8	87.9	-2.5%
Printed circuit board ("PCB")	100.0	112.0	105.5	103.7	94.1	89.5	-2.2%
Light-emitting diode ("LED")	100.0	76.7	72.6	68.8	67.2	45.5	-14.6%
Propylene glycol	100.0	89.7	86.8	94.5	87.0	66.9	-7.7%

Source: Frost & Sullivan

The average wage of employed persons in urban areas in the manufacturing industry in China has demonstrated steady growth from RMB36,665 in 2011 to RMB55,324 in 2015, representing a CAGR of 10.8%, which was mainly attributable to the inflation and demand for labour for increasing manufacturing activities.

Average Wage of Employed Persons in Urban Areas in Manufacturing Industry (China), 2011-2015



Note: Latest available data in 2015

Source: National Bureau of Statistics of China, Frost & Sullivan

COMPETITIVE LANDSCAPE OF E-CIGARETTE MANUFACTURING MARKET IN CHINA

Competition Overview

Overall, the e-cigarette manufacturing market in China is fragmented and competitive with a large number of small-scale manufacturers who also serve as OEM of the e-cigarette brands and have self-owned brands. The leading manufacturers are mainly the OEM of the major e-cigarette brands and demonstrate the long-established track records and expertise in e-cigarette manufacturing.

INDUSTRY OVERVIEW

A growing number of e-cigarette manufacturers have emerged to take advantage of the market opportunities in the e-cigarette market. According to Frost & Sullivan, the e-cigarette manufacturing market is fragmented and there are around 1,000 e-cigarette manufactures in China, as of June 2017. The top ten players in e-cigarette manufacturing contribute to approximately 16.9% of the entire market in terms of revenue in China in 2016. The Group is the sixth largest player in market with revenue of RMB218.7 million for e-cigarette manufacturing, accounting for 1.2% of market share in China.

China is the world's largest production base for e-cigarette products. The world's leading e-cigarette brands outsource to manufacturers in China for a wide spectrum of products. Mature supply chains, access to cheap labour, and increasing patent protection complement with comprehensive manufacturing services for e-cigarette brands in China. It is expected that China-based manufacturers will continue to be the first choice to the e-cigarette brands in the near future.

Ranking of E-cigarette Manufacturers by Revenue in China, 2016

Rank	Companies	Estimated Revenue in 2016 (RMB million)	Approximate Market Share (%)
1	Company A	783.2	4.2%
2	Company B	572.4	3.0%
3	Company C	492.4	2.6%
4	Company D	335.5	1.8%
5	Company E	300.5	1.6%
6	The Group	218.7	1.2%
7	Company F	208.4	1.1%
8	Company G	114.5	0.6%
9	Company H	84.4	0.4%
10	Company I	74.2	0.4%
	Top ten subtotal	3,184.2	16.9%
	Others	15,615.8	83.1%
	Total	18,800.0	100.00%

Source: Frost & Sullivan

Notes:

- Company A is listed on the National Equities Exchange and Quotations, principally develops and manufactures e-cigarettes.
- Company B serves as an OEM and component supplier to e-cigarette brands.

INDUSTRY OVERVIEW

3. Company C designs, develops, manufactures and distributes e-cigarettes.
4. Company D is an integrated solution provider of e-cigarette, from development, manufacturing to sales.
5. Company E develops and manufactures environmentally friendly electronic products, including e-cigarettes.
6. Company F serves as an OEM and ODM for various e-cigarette brands, with a focus on electronic cigarettes.
7. Company G focuses the manufacturing and components supply of e-cigarettes.
8. Company H principally develops and manufactures e-cigarettes.
9. Company I manufactures e-cigarettes.

Entry Barriers

Access to Raw Materials. The manufacturers are supported by a broad range of upstream suppliers in Guangdong Province, China in which a wide spectrum of e-cigarette raw materials, including heater, rechargeable batteries, PCBA, plastic components and e-liquid are provided at competitive pricing. It is important for e-cigarette manufacturers in the China to obtain high quality components from local suppliers to reduce their purchasing and transportation costs. New market entrants will find it hard to source a stable supply of high quality of raw materials at competitive prices.

Long-established Relationship with Customers. Leading tobacco companies have long been the important players in the e-cigarette industry. With extensive coverage of retailing channels and sufficient capital to offset the increasing marketing and potential regulatory costs, large-scale e-cigarette players stand the better chance to receive the impetus from the growth market potential in the market. Along with the fast-changing landscape in e-cigarette market, strong relationships with leading brands will be crucial for manufacturers to maintain sustainable sources of revenue and to grow through their expansion and tap into new markets.

Compliance with Changing Regulatory Standards. Regulatory requirements play an essential role in manufacturing and developing e-cigarette products. Leading manufacturers in the e-cigarette industry have invested in the manufacturing equipment and operation model to develop an efficient manufacturing process in order to comply with the regulatory changes. New market entrants without modern and efficient manufacturing process will either incur significant research and development expenses or fail to comply with regulatory standards.

REGULATORY OVERVIEW

This section sets forth a summary of the most significant regulations that affect our business activities in the PRC.

COMPANY LAW

The establishment and operation of corporate entities in the PRC 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 of the PRC (中國全國人民代表大會常務委員會, the “**SCNPC**”) on 29 December 1993 and became effective on 1 July 1994. The Company Law was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013. The latest Company Law was amended on 28 December 2013 became effective from 1 March 2014.

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 the company. Liabilities of shareholders of a limited liability company are limited to the contributions which they have subscribed. A joint stock limited company is a company with a registered share capital divided into shares of equal par value, and liabilities of its shareholders are limited to the amount of capital they are legally obliged to contribute for the shares for which they have subscribed.

REGULATIONS RELATING TO WHOLLY FOREIGN-OWNED ENTERPRISE

Wholly foreign-owned enterprises are governed by the Law of the PRC on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》, the “**Wholly Foreign-Owned Enterprises Law**”), which was promulgated on 12 April 1986 and subsequently amended on 31 October 2000 and 3 September 2016 (the new revision took effect on 1 October 2016), and the Detailed Rules for the Implementation of the Law of the PRC on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法實施細則》) which were promulgated on 12 December 1990 and subsequently amended on 12 April 2001 and 19 February 2014 (the latest amendment became effective on 1 March 2014) (together the “**Foreign Enterprises Law**”).

The orientation of foreign-funded projects is regulated by the Provisions on Guiding the Orientation of Foreign Investment (《指導外商投資方向規定》), which was promulgated by the State Council on 11 February 2002 and took effect on 1 April 2002. According to the Provisions on Guiding the Orientation of Foreign Investment, foreign-funded projects fall into 4 categories, namely encouraged, permitted, restricted and prohibited ones. The encouraged, restricted and prohibited foreign-funded projects shall be listed in the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》, the “**Catalogue**”), the latest version of which was promulgated by the NDRC National and the Ministry of Commerce (商務部, the “**MOFCOM**”) on 28 June 2017 and taking effect on 28 July 2017. The Catalogue has been a longstanding tool used by policymakers of the PRC to manage direct foreign investment. The Catalogue is divided into the encouraged industries, the restricted industries and the prohibited industries for foreign investment, and industries which are not listed in the Catalogue shall be categorised as the permitted industries for foreign investment.

REGULATORY OVERVIEW

According to the amendments on the Wholly Foreign-Owned Enterprises Law on 3 September 2016, for the wholly foreign-owned enterprises which do not involve the special market entry management measures prescribed by the latest Catalogue, their establishment and major changes are subject to the administration by record-filing.

To facilitate the implementation of the above amendments made to the Wholly Foreign-Owned Enterprises Law, the Interim Measures for the Record-filing Administration of the Formation and Modification of Foreign-Funded Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), the “**Interim Measures**”) was promulgated by the MOFCOM on 8 October 2016 and amended on 30 July 2017, pursuant to which, the establishment of foreign-invested enterprises which the special market entry management measures prescribed do not apply to and their changes shall be subject to record-filing instead of examination and approval.

Within the record-filing scope stipulated in the Interim Measures, a foreign-invested enterprise shall fill in online and submit an application of record-filing for its establishment or change and the relevant documents for completing the record-filing procedures.

REGULATIONS ON PRODUCTION SAFETY

The Work Safety Law of the PRC (《中華人民共和國安全生產法》), the “**Work Safety Law**”) was promulgated on 29 June 2002 and amended on 27 August 2009 and 31 August 2014, (the new revision became effective on 1 December 2014). It governs the supervision and administration of work safety in the PRC. The Work Safety Law requires a business entity to meet the relevant requirements such as providing its staff with proper training, handbooks concerning work safety, and safe working conditions as set out in the relevant laws, rules and regulations in the PRC. Any business entity that fails to provide the required safe working conditions may not engage in production and other business activities. Violation of the Work Safety Law may result in fines, penalties, suspension of operations, order to cease operations, or even criminal liability in severe cases.

The Measures for the Supervision and Administration of “Three Simultaneities” for Safety Facilities of Construction Projects (《建設項目安全設施“三同時”監督管理辦法》), the “**Construction Projects Safety Facilities Measures**”) was promulgated by the State Administration of Work Safety (國家安全生產監督管理總局) on 14 December 2010 and amended on 2 April 2015 (the revision was implemented on 1 May 2015). The Construction Projects Safety Facilities Measures provide that, for the construction projects specially set forth in the Construction Projects Interim Safety Facilities Measures, production and business operation entities are required to conduct comprehensive research and pre-assessment on the safety conditions of the construction projects. For other construction projects, production and operation entities are required to conduct a comprehensive analysis of the project conditions and facilities for production, safety and prepare written reports for further reference.

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Special Equipment

In accordance with Law of the People's Republic of China on Special Equipment Safety (《中華人民共和國特種設備安全法》) promulgated by Standing Committee of the National People's Congress on 29 June 2013 and implemented on 1 January 2014 and the Regulations on Safety Supervision of Special Equipment (《特種設備安全監察條例》) promulgated by State Council on 11 March 2003 and further amended on 24 January 2009 (the revision was implemented on 1 May 2009), enterprises manufacturing or using special equipment are required to establish and strive to perfect the safety and energy-saving management system, job safety and energy-saving accountability system for the special equipment. Special equipment mentioned above refer to boilers, pressure vessels (including gas cylinders), pressure pipelines, elevators, lifting appliances, passenger ropeways, large amusement facilities, and special vehicles used in the factory, which involve a high degree of safety risks.

REGULATIONS ON ENVIRONMENTAL PROTECTION

The Law on Environmental Protection

In accordance with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated on 26 December 1989 and amended on 24 April 2014 (the revision was implemented on 1 January 2015), the Law of the PRC on Environmental Impact Assessment (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on 28 October 2002 and amended on 2 July 2016 (the revision came into effect on 1 September 2016), the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) promulgated by the State Council and taking effect on 29 November 1998 and amended on 16 July 2017 (the revision taking effect on 1 October 2017), Administration Regulations on Record-filing of the Registration Forms of Construction Projects (建設項目環境影響登記表備案管理辦法) promulgated by the Ministry of Environmental Protection of PRC on 16 November 2016 and taking effect on 1 January 2017, the Administration Regulations on Environmental Protection Acceptance of Construction Projects (建設項目竣工環境保護驗收管理辦法) promulgated by former State Environmental Protection Administration on 27 December 2001 and taking effect on 1 February 2002 and amended on 22 December 2010 (the latest revision taking effective on 22 December 2010) and other relevant environmental laws and regulations, entities generating environmental pollution and other public hazards must incorporate environmental protection measures into their plans and set up a responsibility system of environmental protection. Construction projects shall go through the environmental impact assessment procedure accordingly. The construction projects which may have significant impact on the environment shall prepare an environmental impact report with full assessment of their impact on the environment while those projects which have less severe environmental impact are required to prepare an environmental impact report form regarding analysis or specific assessment of the environmental impacts, and those projects which have slight impact on the environment are not required to conduct environment impact assessment but need to complete the environmental impact registration form. Pollution prevention facilities for construction projects must be designed, constructed and launched into production and use at the same time with the main part of the projects. Construction projects

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for which an environmental impact report or an environmental impact report form is prepared can only be put into operation after the acceptance of environmental protection facilities. Enterprises and public institutions discharging pollutants must report to and register with relevant authorities in accordance with the provisions promulgated by the environmental protection administrative authority under the State Council. Relevant authorities have the authority to impose penalties on individuals or entities which have breached the environmental regulations. The penalties that can be imposed include issuing a warning, the suspension of operation of pollution prevention facilities for construction projects where such facilities are uncompleted or fail to meet the prescribed requirements but are put into operation, the reinstallation of pollution prevention facilities which have been dismantled or left idle, administrative sanctions against the office-in-charge, the suspension of business operations or the shut-down of an enterprise or public institution. Fines could also be imposed together with these penalties.

Subject to the Administration Regulations on Environmental Protection Acceptance of Construction Projects (《建設項目竣工環境保護驗收管理辦法》) the construction unit shall obtain approval for pilot production issued by the competent environmental protection authorities before conducting pilot production. According to the Decision of the State Council on First Batch Cancellation of 62 Administrative Affairs Designated by the Central Government to be Approved by the Local Authorities (《國務院關於第一批取消62項中央指定地方實行政審批事項的決定》) issued on 11 October 2015 and the Notice of the Ministry of Environmental Protection on No Longer Issuing Approval for Pilot Production of Construction Project by Environmental Protection Authorities (《環境保護部關於環境保護主管部門不再進行建設項目試生產審批的公告》) promulgated on 8 April 2016, the environmental protection authorities have ceased issuing approval for pilot production of construction project since 8 April 2016.

The Law on Prevention and Control of Air Pollution

According to the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》) promulgated on 5 September 1987 and amended on 29 August 1995, 29 April 2000 and 29 August 2015 respectively (the latest amendment was implemented on 1 January 2016), construction, renovation and expansion projects which discharge air pollutants shall comply with regulations regarding environmental protection of construction projects. The environmental impact assessment report regarding a construction project, which is subject to the approval of the environmental protection administrative authorities, shall include an assessment on the air pollution the project is likely to produce and its potential impact on the ecological environment. No construction projects may be put into operation before adequate facilities for prevention and control of air pollution have been inspected and accepted by the environmental protection administrative authorities. Construction projects which have an impact on the atmospheric environment shall conduct the environmental impact assessment, and that discharge of pollutants to the atmosphere shall conform to the atmospheric pollutant discharge standards and abide by the total quantity control requirements for the discharge of key atmospheric pollutants.

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The Law on Prevention and Control of Environmental Pollution by Solid Waste

The Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) promulgated on 30 October 1995 and lately amended on 7 November 2016 stipulates that construction projects where solid wastes are generated or projects for storage, utilisation or disposal of solid wastes shall be subject to environmental impact assessment. Facilities for the prevention and control of solid wastes are required to be designed, constructed and put into use or operation simultaneously with the main part of the construction project. No construction projects may be put into operation before its facilities for the prevention and control of solid wastes have been inspected and accepted by the environmental protection administrative authorities.

The Law on the Prevention and Control of Water Pollution

According to the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》) promulgated on 11 May 1984 and amended on 15 May 1996, 28 February 2008 and 27 June 2017, respectively (the latest revision was implemented on 1 January 2018), construction, renovation and expansion projects and other upper-water facilities that directly or indirectly discharge pollutants to water are subject to environmental impact assessment. In addition, water pollution prevention facilities are required to be designed, constructed and put into operation simultaneously with the main part of the project. From 1 January 2018, water pollution prevention facilities are required to be complied with the requirements in the environmental impact report approved and filed with the competent authorities.

The Law on Prevention and Control of Environmental Noise Pollution

According to the Law of the PRC on Prevention and Control of Pollution From Environmental Noise (《環境噪聲污染防治法》) promulgated on 29 October 1996 and implemented on 1 March 1997, every project under construction, renovation or expansion must conform to the regulations of environmental protection. Where a construction project might cause environmental noise pollution, the enterprises undertaking the project must prepare an environmental impact report which includes the measures it takes to prevent and control such pollution, and submit it, following the procedures prescribed by the State, to the competent administrative department for environmental protection for approval. Facilities for prevention and control of environmental noise pollution must be designed, built and put into use simultaneously with the main part of a construction project.

Pollutant Discharge

The Environmental Protection Law of the PRC stipulates that the government shall implement the pollutant emission license administration system. Pollutant discharge by enterprises, public institutions and other producers and business operators is subject to relevant pollutant emission license. The Environmental Protection Law of the PRC requires any entity operating a facility that produces pollutants or other hazardous materials to adopt

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environmental protection measures in its operations, and to establish an environmental protection responsibility management system. Effective measures to control and properly dispose of waste gas, waste water, waste residue, dust or other waste materials shall be adopted. Any entity operating a facility that discharges pollutants shall report to and register with the competent authority pursuant to applicable regulations. According to the Environmental Protection Tax Law of the People's Republic of China (中華人民共和國環境保護稅法) and its implementing rules, which both became effective on 1 January 2018, (i) enterprises, public institutions and other producers and operators that directly discharge pollutants to the environment within the territory of the PRC and other sea areas under the jurisdiction of the PRC are taxpayers of environmental pollution tax, and shall pay environmental pollution tax in accordance with the aforementioned laws and regulations, (ii) the Administrative Regulations on the Collection and Use of Pollutant Discharge Fees (排污費徵收使用管理條例) was repealed and no more pollutant discharge fees shall be collected. According to the Environmental Protection Law of the PRC, in the event that an entity discharges pollutants in violation of the pollutant discharge standards or volume control requirement, the entity would be subject to administrative penalties, including order to suspend business for rectification, and even order to terminate or close down business under severe circumstances.

REGULATIONS ON FOREIGN EXCHANGE ADMINISTRATION

The principal law governing foreign currency exchange in the PRC is the Regulation of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》, the “**Foreign Exchange Administration Regulation**”) enacted by the State Council on 29 January 1996, amended on 14 January 1997 and 5 August 2008 (the latest revision was implemented on 5 August 2008). According to the Foreign Exchange Administration Regulation, the Renminbi paying under current accounts (such as foreign exchange transactions in relation to trading and services and dividends payment) can be exchanged into foreign currency at liberty on an authentic and legal basis. Foreign currency transactions under the capital account are still subject to limitations and require approvals from, and/or registration with, the State Administration of Foreign Exchange (國家外匯管理局, the “**SAFE**”) and other relevant PRC governmental authorities. The exchange of the Renminbi under capital accounts (such as direct investment, loan or stock investment outside the PRC) into foreign currency shall first obtain approval from the foreign exchange administration, if required under relevant regulations.

Pursuant to the Circular of the People's Bank of China on Issuing the Provisions on the Settlement and Sale of and Payment in Foreign Exchange (中國人民銀行關於印發《結匯、售匯及付匯管理規定》的通知) promulgated on 20 June 1996 by the People's Bank of China (中國人民銀行, the “**PBOC**”) and which became effective on 1 July 1996, the Foreign-Invested Enterprises (the “**FIE**”), may only buy, sell or remit foreign currencies at those banks authorised to conduct foreign exchange business after providing valid commercial supporting documents and, in case of capital account item transactions, obtaining approvals from the SAFE.

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On 30 March 2015, the SAFE promulgated the “Notice the State Administration of Foreign Exchange on Reform of the Administration of Foreign Exchange Capital of Foreign-funded Enterprises” (《關於改革外商投資企業外匯資本金結匯管理方式的通知》, the “**SAFE Notice 19**”), which was promulgated on 30 March 2015 and became effective on 1 June 2015. Under the SAFE Notice 19, the former restriction of using the Renminbi fund converted from foreign currency registered capital of a foreign-funded enterprise for equity investments within the PRC is abolished. Meanwhile, the use of such Renminbi should still comply with the restriction as set in this Notice, such as it cannot be directly or indirectly used for (i) the payment beyond the business scope of the enterprises or the payment prohibited by national laws and regulations; (ii) investment in securities unless otherwise provided by laws and regulations; (iii) granting the entrust loans in Renminbi (unless permitted by the scope of business), (iv) repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in Renminbi that have been sub-lent to the third party; and (v) paying the expenses related to the purchase of real estate not for self-use, except for the foreign-funded real estate enterprises. On 9 June 2016, the SAFE further promulgated the “Circular on the Reform and Standardisation of the Management Policy of the Settlement of Capital Projects” (《關於改革和規範資本項目結匯管理政策的通知》, the “**SAFE Circular 16**”). The SAFE Circular 19 has made certain adjustments to some regulatory requirements on the settlement of foreign exchange capital of foreign-invested enterprises, and some former foreign exchange restrictions are expected to be lifted. Under the SAFE Circular 19 and the SAFE Circular 16, the settlement of foreign exchange capital by foreign invested enterprises shall be governed by the policy of foreign exchange settlement at will. However, the SAFE Circular 19 and the SAFE Circular 16 also reiterate that the settlement of foreign exchange shall only be used for purposes within the business scope of the foreign invested enterprises and following the principles of authenticity.

REGULATIONS RELATING TO PRC TAXATION

Value-added Tax

Pursuant to the Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) promulgated on 13 December 1993, amended on 5 November 2008, 6 February 2016 and 19 November 2017 (its latest amendment was implemented on 19 November 2017), and the Detailed Rules for the Implementation of the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》) promulgated on 25 December 1993 and lately revised on 28 October 2011 (the revision became effective on 1 November 2011), all entities and individuals in the PRC engaging in sale of goods or labour services of processing, repair or replacement, sale of services, intangible assets, or immovables, or import of goods are required to pay value-added tax for the added value derived from the process of manufacture, sale or services. Except for otherwise provided, the general rate of value-added tax for taxpayers selling goods and labour services or importing goods is 17%, taxpayers who export goods are subject to zero tax rate. Adjustments to the tax rates shall be decided by the State Council.

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Pursuant to the Circular on Printing and Issuing the Pilot Proposals for the Transformation from Business Tax to VAT (關於印發《營業稅改徵增值稅試點方案》的通知), which was promulgated by the Ministry of Finance of the PRC and the State Administration of Taxation and became effective on 16 November 2011, the pilot program of replacing business tax with value-added tax commencing on 1 January 2012 has been implemented in productive service industries such as the transportation industry and some modern services industries in the pilot regions. According to the “Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner” (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) which was promulgated by the Ministry of Finance and the State Administration of Taxation (中國國家稅務總局, the “SAT”) on 23 March 2016, since 1 May 2016, the government levies VAT in lieu of business tax nationwide on a trial basis within the territory of the PRC. According to the foregoing regulations, two levels of value-added tax rates of 11.0% and 6.0% are added to the current applicable value-added tax rates.

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》, the “EIT Law”) promulgated on 16 March 2007 and amended on 24 February 2017, a unified enterprise income tax rate is set at 25% for both domestic enterprises and foreign-invested enterprises, and the existing tax exemptions, reductions and preferential treatment which had been enjoyed by foreign-invested enterprises were abolished unless otherwise specified.

Pursuant to the EIT Law, enterprises established outside the PRC whose “de facto management bodies” are located in the PRC are considered as “resident enterprises” and are subject to the uniform 25% enterprise income tax rate for their global income.

The EIT Law also provides that the enterprise income tax should be levied at the reduced rate of 20% for qualified “small and thin-profit enterprises”, and the enterprise income tax should be levied at the reduced rate of 15% for “New and High Technology Enterprises” in key industries supported by the PRC.

Pursuant to the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) promulgated on 6 December 2007 and implemented on 1 January 2008, non-resident enterprises which have not set up institutions or premises in the PRC, or where the institutions or premises are set up but its subsidiary’s after-tax income has no actual relationship with such institutions or premises shall be subject to the withholding tax of 10% on income derived from the after-tax profit of its subsidiary. Moreover, under the “Arrangement between the Mainland of China and the 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》) promulgated on 21 August 2006 and implemented on 8 December 2006, the PRC resident enterprise which distributes dividends to its Hong Kong shareholders should be levied enterprise income tax according to the PRC law, however, if the beneficiary

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of the dividends is a Hong Kong resident enterprise, which directly holds not less than 25% equity of the aforesaid enterprise (i.e. the dividend distributor), the tax levied shall be 5% of the distributed dividends. If the beneficiary is a Hong Kong resident enterprise, which directly holds less than 25% equity of the aforesaid enterprise, the tax levied shall be 10% of the distributed dividends. Profit derived by a foreign investor residing in Hong Kong from its wholly-owned PRC enterprise is subject to the tax rate of 5% after obtaining approval from the relevant tax bureau.

Pursuant to the “Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements” (《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 by the SAT and implemented on 20 February 2009, all of the following requirements shall be satisfied for a party to a tax agreement to be entitled to the a tax rate specified in the tax agreement for dividends paid to it by a PRC domestic: (i) such a fiscal resident who obtains dividends should be the company as provided in the tax agreement; (ii) owner’s equity interests and voting shares of the PRC domestic company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the PRC domestic company directly owned by such a fiscal resident, at any time during the twelve months prior to the obtainment of the dividends, shall reach the percentage specified in the tax agreement.

According to the “Measures for the Administration of Non-Resident Taxpayers’ Enjoyment of the Treatment under Tax Agreements” (《非居民納稅人享受稅收協定待遇管理辦法》) promulgated on 27 August 2015 and implemented on 1 November 2015, non-resident taxpayers eligible for the treatment under agreements may, when filing tax returns, or when withholding agents make withholding declaration, enjoy the treatment under agreements at their own discretion and be subject to the follow-up administration by tax authorities.

According to the EIT Law, the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), the Implementation Regulations for Special Tax Adjustments (Trial) (《特別納稅調整實施辦法(試行)》) and the Administrative Measures on Special Tax Investigation, Adjustment and Mutual Agreement Procedure (《特別納稅調查調整及相互協商程序管理辦法》)(collectively the “**STA Rules**”), business transactions between an enterprise and its related parties shall follow the arm’s length principle. In case of a failure to follow such principle which results in a reduction of taxable income, the PRC tax authorities will have the right to make reasonable adjustments. The business transactions between related parties may be subject to audit or scrutiny by the PRC tax authorities within ten years after the taxable year when the business transactions are conducted. If the relevant PRC tax authorities determine that the related party transactions have not been conducted on an arm’s length basis, they may adjust the taxable income through a transfer pricing adjustment and impose additional taxes on the relevant enterprises, as well as require payment of related interest accrued daily during the period beginning from 1 June of the year subsequent to the applicable tax year to the date of payment of the additional taxes. The interest shall be computed at the rate of five percentage points plus the RMB loan benchmark interest rate announced by the People’s Bank of China on December 31 of the applicable tax year in respect of the additional taxes for the same period as that for

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paying off such additional taxes. The extra five percentage points could be exempted if the taxpayer submits relevant materials (including the applicable contemporaneous documents) to the relevant PRC tax authorities pursuant to the STA Rules.

The EIT Law further provides that, where an enterprise submits to the tax authority its annual income tax return, it shall enclose a statement of its annual business transactions effected with its related parties.

In addition, pursuant to the Announcement of the State Administration of Taxation on Matters Relating to Improved Administration of Related Party Declarations and Contemporaneous Documentation issued by the SAT (《國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告》), PRC companies with annual related party transactions exceeding the prescribed thresholds are required to prepare contemporaneous transfer pricing documentation within the prescribed periods and must submit to the PRC tax authorities within 30 days upon request.

Municipal Maintenance Tax

According to the Interim Regulation of the PRC on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設稅暫行條例》) promulgated by the PRC State Council on 8 February 1985 and amended on 8 January 2011, a taxpayer of consumption tax, value-added tax or business tax is required to pay a municipal maintenance tax calculated on the basis of consumption tax, value-added tax and business tax. The tax rate is 7% for a taxpayer in an urban area, 5% in a county or a town, and 1% for a taxpayer not in any urban area or county or town.

According to the “Notice of the Ministry of Finance and the State Administration of Taxation on Issues concerning Levying Urban Maintenance and Construction Taxes and Educational Surcharges on Foreign-Funded Enterprises” (《財政部、國家稅務總局關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知》) issued on 4 November 2010, foreign-invested enterprises must pay municipal maintenance tax on any value-added tax, consumption tax and business tax incurred on or after 1 December 2010. However, foreign-invested enterprises will be exempted from municipal maintenance tax on any value-added tax, consumption tax and business tax incurred before 1 December 2010. According to the Notice of the State Council on Unifying the Systems for Urban Maintenance Construction Tax and Educational Surtax on Chinese-and Foreign-Funded Enterprises and Individuals (《國務院關於統壹內外資企業和個人城市維護建設稅和教育費附加制度的通知》) issued on 18 October 2010 and implemented on 1 December 2010, Interim Regulation of the PRC on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設稅暫行條例》) and other regulations, rules and policies of urban maintenance and construction tax promulgated after 1985 shall be applicable to foreign-funded enterprises since 1 December 2010.

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Stamp Tax

According to the Interim Regulation of the PRC on Stamp Tax (《中華人民共和國印花稅暫行條例》) promulgated by the PRC State Council on 6 August 1988 and amended on 8 January 2011 and Announcement of the State Administration of Taxation on Promulgation of the Administrative Procedures for Stamp Duty (Trial Implementation) (國家稅務總局關於發佈《印花稅管理規程(試行)》的公告) promulgated on 29 November 2016 and implemented on 1 January 2017, all units and individuals which conclude or receive any of the documents listed in these Rules shall be regarded as obligatory payers of stamp duty and shall pay stamp duty in accordance with the provisions of these Rules. Trading contracts and technology contracts, are subject to stamp tax at a rate of 0.03% of the amount stated therein, and the business accounting books are subject to stamp tax at a rate of 0.05% of the sum of the original value of the fixed assets and the self-owned current funds in respect of accounting books for capitals.

REGULATIONS RELATING TO QUALITY AND SAFETY OF PRODUCTS

Product Quality and Consumer Rights

Products made in the PRC are subject to the Product Quality Law of the PRC (《中華人民共和國產品質量法》, the “**Product Quality Law**”), which was adopted by the SCNPC on 22 February 1993 and amended on 8 July 2000 and 27 August 2009 (the revision was implemented on 27 August 2009). Applicable to all production and marketing activities in the PRC, the Product Quality Law was formulated to strengthen the administration of rules pertaining to product quality, as well as to clarify the rules on product liability, protect consumers and maintain social and economic order. The PRC State Council established a supervising department for conducting nationwide supervision over product quality, with local authorities performing this duty at the local level.

Products offered for sale must meet the relevant quality and safety standards. Enterprises must not produce or market counterfeit products in any fashion, including forging brand labels or giving false information about the manufacturer of a product. Violations of state or industrial standards for health safety and any other related violations may result in civil liabilities and penalties, such as compensation for damages, fines, suspension or shutdown of business, as well as confiscation of products illegally produced for sale and the sales proceeds of such products. The responsible individual or enterprise will be subject to criminal liabilities for serious violation. Manufacturers whose products cause personal or property damages due to their latent defects are liable for such damages unless the manufacturer is able to prove that, (i) the product have never been put into circulation; (ii) the defects causing the damage did not exist at the time when the product was circulated; or (iii) the state of scientific or technological knowledge at the time when the product was circulated was not such that it allowed the defect to be discovered.

The seller will be liable to compensate for any personal or property damages (other than the defective product itself) caused by the defective products it sold if such defect is attributable to the seller. A person who is harmed or whose property is damaged by the defective product may claim such loss against the manufacturer or the seller.

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The Law of the PRC on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》), the “**Consumer Protection Law**”) was promulgated on 31 October 1993, amended on 27 August 2009 and 25 October 2013 and became effective on 15 March 2014. According to the Consumer Protection Law, unless otherwise provided by this law, a business that provides products or services shall, in any of the following circumstances, bear civil liability in accordance with the Product Quality Law and other relevant laws and regulations: (i) where a defect exists in a product; (ii) where a commodity does not possess functions it is supposed to possess, and it is not declared when the product is sold; (iii) where the product standards indicated on a product or on the package of such product are not met; (iv) where the quality condition indicated by way of product description or physical sample, etc. is not met; (v) where products pronounced obsolete by formal State decrees are produced or have expired or deteriorated commodities are sold; (vi) where a sold product is not adequate in quantity; (vii) where the service items and charges are in violation of an agreement; (viii) where demands by a consumer for repair, redoing, replacement, return, making up the quantity of a product, refund of a product purchase price or service fee or claims for compensation have been delayed deliberately or rejected without reason; or (ix) in other circumstances whereby the rights and interests of consumers, as provided by the PRC laws and regulations, are harmed.

The Tort Law of the PRC (《中華人民共和國侵權責任法》) was promulgated on 26 December 2009 and came into force on 1 July 2010 to clarify the tort liability, and to prevent and punish tortious conduct. Under this law, in the event of damage arising from a defective product, the victim may seek compensation from either the manufacturer or seller of such a product. If the defect is caused by the seller, the manufacturer shall be entitled to seek reimbursement from the seller upon compensation of the victim.

REGULATIONS RELATING TO IMPORT AND EXPORT OF GOODS

According to the Administrative Provisions on the Registration of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位註冊登記管理規定》), promulgated by the General Administration of Customs of the PRC (中國海關總署) on 13 March 2014 and amended on 20 December 2017 (the revision became effective on 1 February 2018), import and export of goods shall be declared by the consignor or consignee itself, or by a customs declaration enterprise entrusted by the consignor or consignee and duly registered with the customs authority. Consignors and consignees of imported and exported goods shall go through customs declaration entity registration formalities with the competent customs departments in accordance with the applicable provisions. After completing the registration formalities with the customs, consignors and consignees of the imported and exported goods may handle their own customs declarations at customs ports or localities where customs supervisory affairs are concentrated within the customs territory of the PRC.

According to the Foreign Trade Law of the PRC (《對外貿易法》) promulgated on 12 May 1994 and amended on 6 April 2004 and 7 November 2016, any foreign trade business operator that is engaged in the import and export of goods or technology shall be registered for archival purposes with the administrative department of foreign trade of the State Council or the institution entrusted thereby, unless it is otherwise provided for by any law, administrative

REGULATORY OVERVIEW

regulation or the foreign trade department of the State Council. Where any foreign trade business operator that fails to file for archival registration according to relevant provisions, the customs may not handle the procedures of customs declarations and release of the import or export goods.

REGULATIONS RELATING TO LABOUR AND SOCIAL INSURANCE

Labour

Companies in the PRC are subject to the Labour Law of the PRC (《中華人民共和國勞動法》, the “**Labour Law**”) promulgated on 5 July 1994 and amended on 27 August 2009, the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》, the “**Labour Contract Law**”) promulgated on 29 June 2007, amended on 28 December 2012 (the revision became effective on 1 July 2013), and the Regulation on the Implementations of the Employment Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated and implemented on 18 September 2008, as well as other related regulations, rules and provisions issued by the relevant governmental authorities from time to time for our operations in the PRC.

The Labour Contract Law imposes stricter requirements with respect to signing labour contracts with employees, stipulating probation and violation penalties, terminating labour contracts, paying remuneration and economic compensation, use of labour dispatch as well as social security premiums than previously required under the PRC Law.

According to the Labour Law and the Labour Contract Law, companies in the PRC must enter into written labour contracts within one month from the date when the employee commences working, otherwise the employer shall pay twice of the monthly wage. Labour contract is divided into two types, namely labour contract with fixed term and labour contract without fixed term. Where the employee has already worked for the employer for ten full years consecutively or the labour contract is to be renewed after two fixed-term labour contracts have been concluded consecutively, a labour contract without fixed term shall be concluded. Companies must pay wages that are no lower than the local minimum wage standards to such employees. Companies are forbidden to force the labourers to work beyond the time limit and employers shall pay labourers for overtime work in accordance with national regulations. Companies are also required to establish labour safety and sanitation systems, strictly abide by the PRC rules and standards and provide relevant training to the employees.

The Employment Promotion Law of the PRC (《中華人民共和國就業促進法》) promulgated by the SCNPC on 30 August 2007 and amended on 24 April 2015, provides that no employee can be discriminated in employment by reason of race, ethnic, gender, or religion. The employer should neither refuse nor request higher conditions for, the employment of any woman, because of their gender; and no provision limiting any woman employee in marriage and child-bearing is allowed in the labour contract. The employer should not refuse the employment of anyone for the reason that the individual is a pathogen carrier, unless regulated otherwise. Moreover, enterprises should allocate the employee education fund for occupational training and further education of employees, violation of which may result in punishment imposed by the labour administration.

REGULATORY OVERVIEW

Social Insurance Regulations and Housing Provident Fund Regulations

Under the applicable PRC laws, rules and regulations, including the Social Insurance Law of the PRC (《中華人民共和國社會保險法》, the “**Social Insurance Law**”) promulgated on 28 October 2010 and implemented on 1 July 2011, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated and implemented on 22 January 1999 by the PRC State Council, the Provisional Measures on the Administration of Social Insurance Registration (《社會保險登記管理暫行辦法》) promulgated and implemented on 19 March 1999, the Interim Measures Concerning the Maternity Insurance of Enterprise Employees (《企業職工生育保險試行辦法》) promulgated on 14 December 1994 and implemented on 1 January 1995 by the former Ministry of Labour, the Regulation on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) promulgated and implemented on 3 April 1999 and amended on 24 March 2002 by the PRC State Council, the Regulation on Work-Related Injury Insurance (《工傷保險條例》) promulgated on 27 April 2003 by the PRC State Council and implemented on 1 January 2004 and amended on 20 December 2010, and regulations on pension insurance, medical insurance and unemployment insurance in the provincial and municipal level, the employer shall pay pension insurance fund, basic medical insurance fund, unemployment insurance fund, occupational injury insurance fund, maternity insurance fund and housing fund for the employees.

The Social Insurance Law is the first comprehensive law in the PRC to address social insurance and related administrative issues. In addition to consolidating various existing social insurance rules and regulations, the Social Insurance Law also introduces some new provisions and policies. The Social Insurance Law allows for an employee to transfer his or her pension, basic medical and unemployment insurance relationships with him or her when the individual decides to move to another city to take up new employment. If the employer fails to make social insurance registration and refuses to rectify within the ordered time limits, in addition to a standard penalty of anywhere between RMB500 to RMB3,000 imposed directly on the responsible persons which are directly in charge and involved, the employer will also be subject to a penalty which is calculated based on one to three times of the outstanding social insurance contributions.

Pursuant to the Interim Regulation on the Collection and Payment of Social Insurance Premiums, the employer shall carry out social insurance registration at the local social insurance agency and participate in social insurance programs. Such participants shall report to the social insurance agency the amount of social insurance premiums payable and pay its social insurance premiums every month within the prescribed time limit upon assessment of the social insurance agency. If a premium paying entity fails to carry out social insurance registration, change its registration or cancels its registration, or fails to report the amount of social insurance premiums payable, the administrative department of labour and social security can order it to rectify the situation by paying the outstanding premium within the prescribed time limit.

REGULATORY OVERVIEW

According to the Regulation on the Administration of Housing Accumulation Funds, all business entities (including foreign investment enterprises) are required to register with the local administrative center of housing provident funds and then maintain housing fund accounts with designated banks and pay the related funds for their employees.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

The PRC has adopted comprehensive legislation governing intellectual property rights. The PRC has adhered to the main international conventions on intellectual property rights and has joined the Agreement on Trade Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organisation in December 2001. The products in the PRC shall be subject to intellectual property laws such as the Trademark Law of the PRC (《中華人民共和國商標法》), the “**Trademark Law**”).

Trademark

Pursuant to the Trademark Law promulgated on 23 August 1982, revised on 22 February 1993, 27 October 2001 and 30 August 2013 (the latest revision was implemented on 1 May 2014), the Administrative Department for Industry and Commerce under the State Council has established a Trademark Office to take charge of matters concerning trademark registration and administration throughout the country. The administrative department for industry and commerce under the State Council has established the Trademark Review and Adjudication Board to be responsible for handling of trademark disputes.

A party could apply for trademark registration or handle other trademark-related issues on its own or by entrusting a qualified trademark agency that has been established in accordance with laws.

The trademark applied for registration shall have distinctive characteristic for identification, and shall not conflict with the prior legitimate rights of others. The period of validity of a registered trademark shall be ten years, commencing from the date when the registration is approved.

Domain Name

Pursuant to the Administrative Measures for Internet Domain Names of the PRC (《中國互聯網域名管理辦法》) which was promulgated by the Ministry of Industry and Information Technology on 24 August 2017 and taking effect on 1 November 2017, “domain name” shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of such computer. The principle of “first come, first serve” applies to domain name registration service. After completing the domain name registration, the applicant will become the holder of the registered domain name.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OVERVIEW

We are a well-established provider of integrated plastic solutions in the PRC, specialising in mould design and fabrication services as well as plastic component manufacturing services. In recent years, we have also expanded our operations to the manufacturing of e-cigarette products as an OEM. The core business of our Group is mainly carried out through our HK Subsidiaries and PRC Subsidiaries. For further information of products and services provided by our Group, please refer to the section headed “Business – Our Products and Services” in this Prospectus.

The history of our Group can be traced back to September 2000 when Sun Leader HK was incorporated. Sun Leader HK has since its incorporation manufactured moulds and, since 2006, plastic products. As of the date of its incorporation, Sun Leader HK was held as to 50% by Mr. Chan and 50% by Mr. Cheng Chak as trustee for and on behalf of Mr. Chan. On 16 May 2006, Tian Chang HK was incorporated in Hong Kong and was owned as to 100% by Mr. Chan. On 13 June 2006, Tian Chang Industrial was incorporated in Hong Kong and was wholly owned by Tian Chang HK. Tian Chang Industrial principally traded mould products and since 2013, it has gradually expanded its business to the manufacturing and assembling of plastic components of e-cigarette products.

Since the incorporation of Sun Leader HK in September 2000, our senior management team has been led by Mr. Chan, our executive Director, Chairman, chief executive officer and Controlling Shareholder. For further details of the experience and qualification of our senior management team, please refer to the section headed “Directors and Senior Management” in this Prospectus.

For the purpose of the Listing, the Company was incorporated in the Cayman Islands with limited liability on 26 April 2017 and has become the holding company of our Group since the completion of the Reorganisation on 12 June 2017. As of the Latest Practicable Date, Mr. Chan was the ultimate Controlling Shareholder of the Company.

The following table illustrates the key milestones and significant business developments of our Group:

Year	Milestones
2000	Sun Leader HK was incorporated.
2002	Sun Leader HK obtained ISO9001:2000 certification.
2003	Sun Leader HK obtained ISO14001:1996 certification.
2005	Sun Leader HK obtained ISO14001:2004 certification and ISO/TS16949:2002 certification.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Milestones
2006	Tian Chang HK and Tian Chang Industrial were incorporated. Tian Chang Shenzhen was established.
2008	Tian Chang Shenzhen obtained ISO9001:2000 certification and ISO14001:2004 certification.
2009	Tian Chang Shenzhen obtained ISO/TS16949:2002 certification.
2011	Tian Chang Huizhou, Sun Leader Shenzhen and Sun Leader Huizhou were established.
2013	The Group expanded its business to the manufacturing and assembling of plastic components of e-cigarette products.
2014	The Group established a new production plant in Huizhou.
2015	The Group expanded its business to the manufacturing of automobile plastic components.
2016	The Group finished relocating the majority of its production units from Shenzhen to Huizhou with upgraded equipment.
2017	The new production plant for e-cigarette products started operation.

CORPORATE HISTORY BEFORE THE REORGANISATION

Set out below are the history and development of our HK Subsidiaries and PRC Subsidiaries, being our principal operating subsidiaries before the Reorganisation:

Sun Leader HK

On 27 September 2000, Sun Leader HK was incorporated in Hong Kong with an authorised share capital of HK\$1,000,000 divided into 1,000,000 shares of HK\$1.00 each. Prior to the incorporation of Sun Leader HK, Mr. Chan and Mr. Cheng Chak agreed that Sun Leader HK was to be held as to 50% by Mr. Chan and 50% by Mr. Cheng Chak as trustee for and on behalf of Mr. Chan (the “**Trust Arrangement**”). The Trust Arrangement was made with an aim to comply with the requirement of the then Companies Ordinance (Cap 32 of the Laws of Hong Kong), which stipulated that a company must have at least two shareholders. The Trust Arrangement was evidenced by a deed of trust dated 27 September 2000 (the “**Deed of Trust**”). Since the inception of Sun Leader HK, it has been managed and operated under the direction of Mr. Chan with the assistance of Mr. Cheng Chak.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Tian Chang HK

On 16 May 2006, Tian Chang HK was incorporated in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Tian Chang HK has been wholly owned by Mr. Chan since its incorporation until immediately before Reorganisation.

Tian Chang Industrial

On 13 June 2006, Tian Chang Industrial was incorporated in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Tian Chang Industrial has been wholly owned by Tian Chang HK since its incorporation.

Tian Chang Shenzhen

Tian Chang Shenzhen was established in Shenzhen, the PRC, as a limited liability company with a registered share capital of HK\$100,000,000 on 26 September 2006. Since its establishment, Tian Chang Shenzhen has been wholly owned by Tian Chang Industrial.

Tian Chang Huizhou

Tian Chang Huizhou was established in Huizhou, the PRC, as a limited liability company with an initial registered share capital of RMB10,000,000 on 22 March 2011. Since its establishment, Tian Chang Huizhou has been wholly owned by Tian Chang Shenzhen. The registered share capital of Tian Chang Huizhou was increased to RMB28,270,000, RMB41,270,000 and RMB50,000,000 on 18 July 2012, 14 August 2012 and 13 March 2013, respectively.

Sun Leader Shenzhen

Sun Leader Shenzhen was established in Shenzhen, the PRC, as a limited liability company with a registered share capital of HK\$56,000,000 on 17 June 2011. Since its establishment, Sun Leader Shenzhen has been wholly owned by Sun Leader HK.

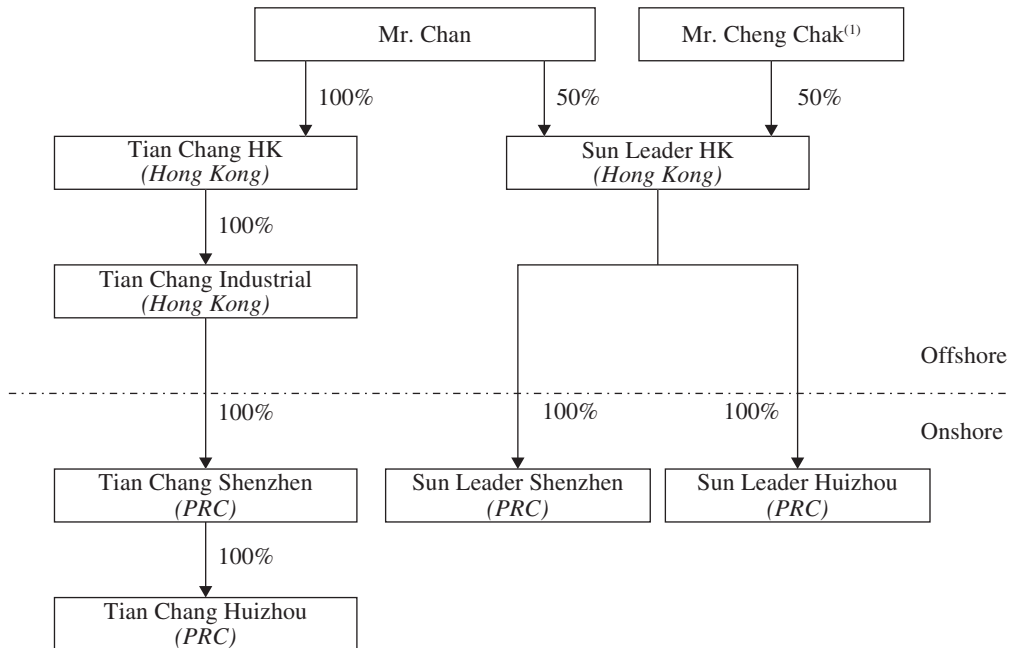
Sun Leader Huizhou

Sun Leader Huizhou was established in Huizhou, the PRC, as a limited liability company with an initial registered share capital of HK\$50,000,000 on 27 June 2011. Since its establishment, Sun Leader Huizhou has been wholly owned by Sun Leader HK. The registered share capital of Sun Leader Huizhou was increased to HK\$80,000,000 on 6 May 2015.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Structure of our Group immediately before the Reorganisation

The following diagram illustrates our corporate structure before the Reorganisation:



Note:

- (1) Pursuant to the Trust Arrangement, Mr. Cheng Chak held 50% interest in Sun Leader HK as trustee for and on behalf of Mr. Chan.

REORGANISATION

In preparation for the Listing, we carried out a series of restructuring steps in order to establish an offshore and onshore shareholding structure through which our Company will hold the entire interest in our HK Subsidiaries and PRC Subsidiaries.

Incorporation of New Straits

On 24 March 2017, New Straits was incorporated with limited liability in the BVI and is authorised to issue a maximum number of 50,000 shares of a single class with a par value of US\$1.00 each. On 20 April 2017, New Straits allotted and issued one share at a par value of US\$1.00 to Mr. Chan, and New Straits has been wholly-owned by Mr. Chan since then.

Incorporation of Flaming Sapphire

On 28 March 2017, Flaming Sapphire was incorporated with limited liability in the BVI and is authorised to issue a maximum number of 50,000 shares of a single class with a par value of US\$1.00 each. On 20 April 2017, Flaming Sapphire allotted and issued one share at a par value of US\$1.00 to Mr. Chan, and Flaming Sapphire has been wholly-owned by Mr. Chan since then.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Incorporation of Gold Alliance

On 29 March 2017, Gold Alliance was incorporated with limited liability in the BVI and is authorised to issue a maximum number of 50,000 shares of a single class with a par value of US\$1.00 each. On 20 April 2017, Gold Alliance allotted and issued one share at a par value of US\$1.00 to Mr. Chan, and Gold Alliance has been wholly-owned by Mr. Chan since then.

Incorporation of New Strength

On 29 March 2017, New Strength was incorporated with limited liability in the BVI and is authorised to issue a maximum number of 50,000 shares of a single class with a par value of US\$1.00 each. On 20 April 2017, New Strength allotted and issued one share at a par value of US\$1.00 to Mr. Chan, and New Strength has been wholly-owned by Mr. Chan since then.

Incorporation of Oceanic Green

On 3 April 2017, Oceanic Green was incorporated with limited liability in the BVI and is authorised to issue a maximum number of 50,000 shares of a single class with a par value of US\$1.00 each. On 20 April 2017, Oceanic Green allotted and issued one share at a par value of US\$1.00 to Mr. Chan, and Oceanic Green has been wholly-owned by Mr. Chan since then.

Incorporation of Treasure Line

On 5 April 2017, Treasure Line was incorporated with limited liability in the BVI and is authorised to issue a maximum number of 50,000 shares of a single class with a par value of US\$1.00 each. On 20 April 2017, Treasure Line allotted and issued one share at a par value of US\$1.00 to Mr. Chan, and Treasure Line has been wholly-owned by Mr. Chan since then.

Incorporation of Tian Chang BVI and Sun Leader BVI

On 20 April 2017, Tian Chang BVI was incorporated with limited liability in the BVI and is authorised to issue a maximum number of 50,000 shares of a single class with a par value of US\$1.00 each. On the same day, one share at a par value of US\$1.00, representing 100% of the issued share of Tian Chang BVI, was allotted and issued to Mr. Chan. Since then, Tian Chang BVI had been wholly-owned by Mr. Chan. On 12 June 2017, Mr. Chan transferred one share in Tian Chang BVI at a par value of US\$1.00 to our Company. Upon completion of the share transfer, Tian Chang BVI has become a direct wholly-owned subsidiary of our Company with Mr. Chan as its sole director.

On 20 April 2017, Sun Leader BVI was incorporated with limited liability in the BVI and is authorised to issue a maximum number of 50,000 shares of a single class with a par value of US\$1.00 each. On the same day, one share at a par value of US\$1.00, representing 100% of the issued share of Sun Leader BVI, was allotted and issued to Mr. Chan. Since then, Sun Leader BVI had been wholly-owned by Mr. Chan. On 12 June 2017, Mr. Chan transferred one share in Sun Leader BVI at a par value of US\$1.00 to our Company. Upon completion of the share transfer, Sun Leader BVI has become a direct wholly-owned subsidiary of our Company with Mr. Chan as its sole director.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Incorporation of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 26 April 2017 to act as the holding company of our Group for the purpose of the Listing. The initial authorised share capital of our Company was HK\$390,000 divided into 3,900,000 Shares with a par value of HK\$0.10 each. Upon its incorporation, one Share with a par value of HK\$0.10 was allotted and issued as fully paid to the initial subscriber who then transferred the same one Share to Mr. Chan. On the same day, the Company further allotted and issued 2,999 Shares to Mr. Chan at a par value of HK\$0.10. After completion of the aforesaid transfer and issuance, our Company was wholly-owned by Mr. Chan with a total of 3,000 issued Shares. On 12 June 2017, Mr. Chan transferred 820 Shares, 820 Shares, 609 Shares, 511 Shares, 160 Shares and 80 Shares to Oceanic Green, New Strength, Gold Alliance, New Straits, Treasure Line and Flaming Sapphire, respectively, at the consideration which were settled by the issuance and allotment to Mr. Chan of 819 shares, 819 shares, 608 shares, 510 shares, 159 shares and 79 shares respectively, by each of Oceanic Green, New Strength, Gold Alliance, New Straits, Treasure Line and Flaming Sapphire of its respective shares. After completion of the aforesaid transfer and issuance, the Company was owned as to approximately 27.333%, 27.333%, 20.3%, 17.033%, 5.333% and 2.667% by Oceanic Green, New Strength, Gold Alliance, New Straits, Treasure Line and Flaming Sapphire, respectively.

Acquisition of shares of Tian Chang HK and Sun Leader HK by Tian Chang BVI and Sun Leader BVI

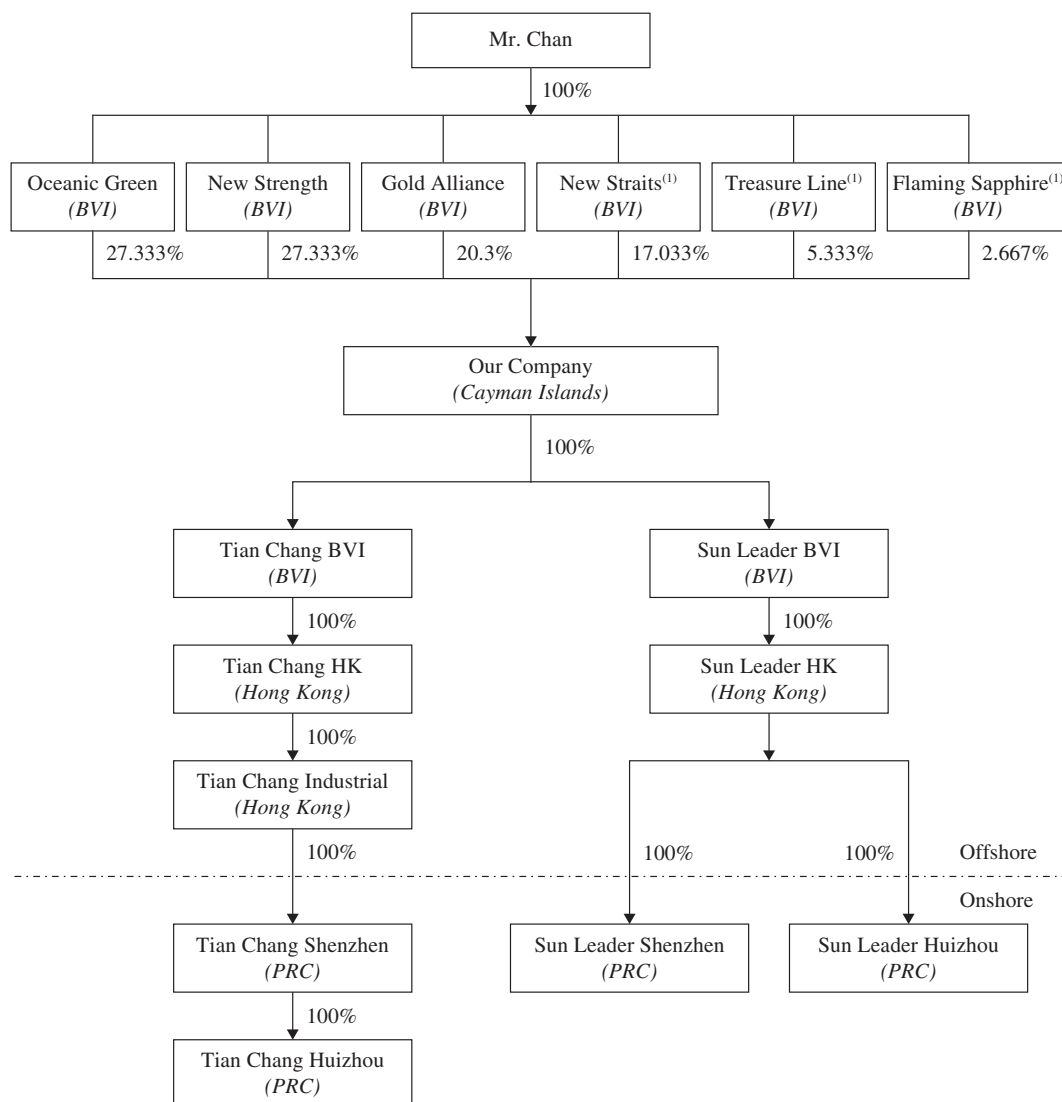
Pursuant to a share sale and purchase agreement dated 1 June 2017 entered into between Mr. Chan and Tian Chang BVI, Mr. Chan agreed to sell and Tian Chang BVI agreed to purchase the entire issued shares of Tian Chang HK at the consideration of HK\$10,000, which was determined based on nominal value of the shares being transferred. The share transfer was properly and legally settled and completed with the relevant stamp duty duly paid on 20 June 2017. Upon completion of the aforesaid share transfer, Tian Chang HK has become a direct wholly-owned subsidiary of Tian Chang BVI.

As part of the Reorganisation, it was agreed between Mr. Chan and Mr. Cheng Chak that the Trust Arrangement should be terminated. Acting on this agreement and pursuant to a share sale and purchase agreement dated 1 June 2017 entered into among Mr. Chan, Mr. Cheng Chak and Sun Leader BVI, Mr. Chan and Mr. Cheng Chak (at the direction of Mr. Chan) agreed to sell and Sun Leader BVI agreed to purchase all the issued shares of Sun Leader HK at the aggregate consideration of HK\$1,000,000, which was determined based on the nominal value of the shares being transferred. The consideration of HK\$1,000,000 was paid to Mr. Chan solely as the single beneficial owner of all the issued shares of Sun Leader HK. The share transfer was properly and legally settled and completed with the relevant stamp duty duly paid on 20 June 2017. Upon completion of the aforesaid share transfer, Sun Leader HK has become a direct wholly-owned subsidiary of Sun Leader BVI.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Structure of our Group following the Reorganisation and before the Global Offering

The following diagram illustrates our corporate structure upon completion of the Reorganisation and immediately before the Capitalisation Issue and the Global Offering:



Note:

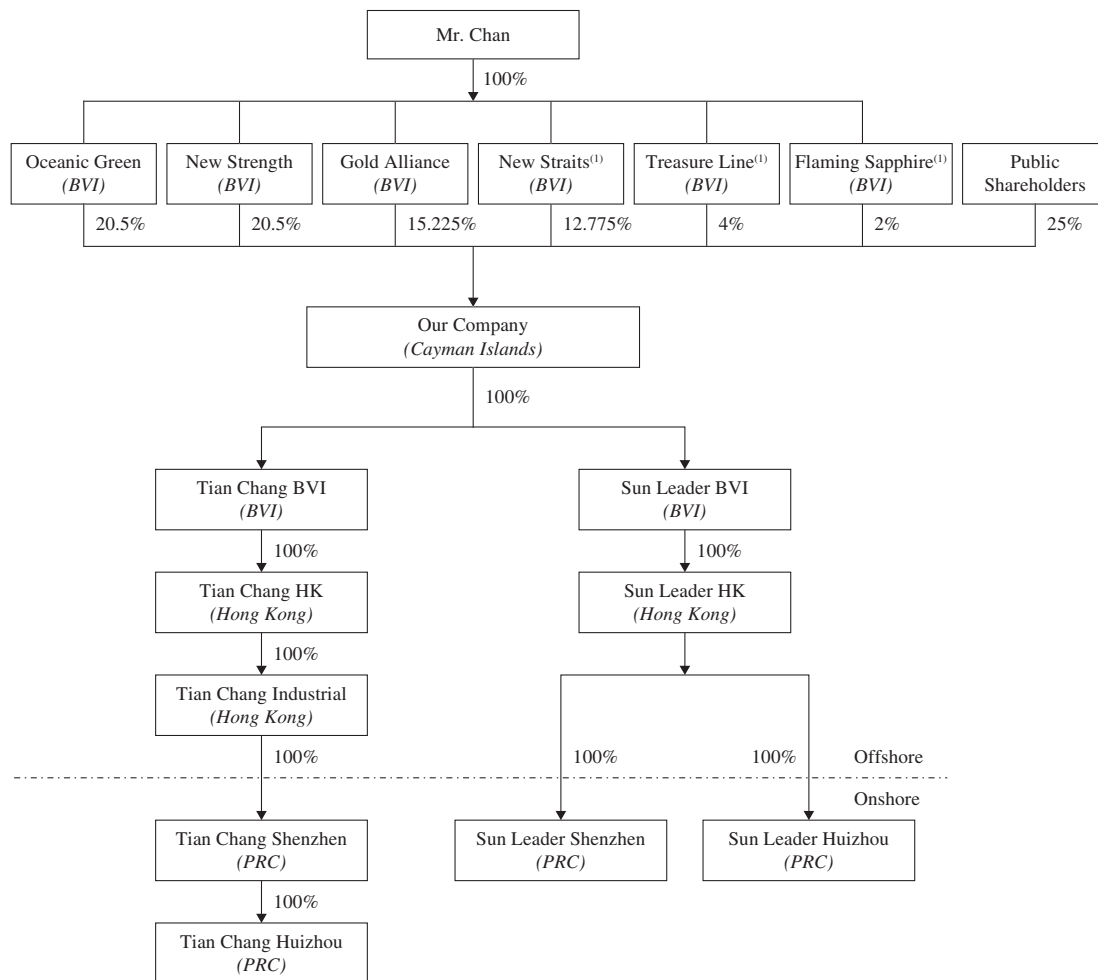
- (1) The issued share capital of our Company held by each of New Straits, Treasure Line and Flaming Sapphire will be used for implementation of future share incentive schemes for eligible employees of our Group nominated by Mr. Chan and approved by the Board. To implement such schemes, our Company intends to adopt a share award plan which will set out the rules governing the awards of the Shares to eligible employees after Listing. The purpose of the proposed share award plan is to recognize and reward the contributions of the eligible employees of our Group to the growth and development of our Group through the award of Shares. The Company has no immediate plan to implement such share incentive scheme and will consider such implementation one year following the Listing. Eligible employees will be limited to those who have been working for the Group on or prior to 13 July 2017 (being the date on which the Company submitted application to the Stock Exchange for the Listing) until the date the Shares are awarded to him/her pursuant to the proposed share award plan and who, in the opinion of Mr. Chan and the Board, have contributed to the development and business of the Group. The Shares held by each of New Straits, Treasure Line and Flaming Sapphire will not be counted towards public float for the purpose of Rule 8.24 of the Listing Rules and will be subject to the

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

lock-up arrangement as more particularly elaborated in the section headed “Underwriting – Undertakings – Undertaking to the Hong Kong Underwriters – Undertakings by the Controlling Shareholders”, after the Listing. It is the plan of Mr. Chan and the Company that no employees who are eligible to take part in the said share incentive scheme will be given more than 3% interest in the Company. Prior to the adoption of the proposed share award plan, Mr. Chan shall be entitled to the dividends, and exercise the voting rights, attached to the Shares held by each of New Straits, Treasures Line and Flaming Sapphire. Upon adoption of the proposed share award plan, Mr. Chan, as settlor, will, without consideration, enter into a deed of settlement pursuant to which he will declare Shares held by New Straits, Treasure Line and Flaming Sapphire as trust property for the purpose of the proposed share award plan, of which our Company will engage a professional trustee for its operation and management. For further details of the proposed share award plan, please refer to the section headed “Statutory and general information – proposed share award plan” of this prospectus. The Board will make appropriate announcement in accordance with the requirements of the Listing Rules upon adoption of the proposed share award plan. To avoid potential conflict of interest, Mr. Chan will abstain from voting in any relevant resolutions of the Board.

Structure of our Group following the Reorganisation and after the Global Offering

The following diagram illustrates our corporate structure upon completion of the Reorganisation and immediately after the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised):



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Note:

- (1) The issued share capital of our Company held by each of New Straits, Treasure Line and Flaming Sapphire will be used for implementation of future share incentive schemes for eligible employees of our Group nominated by Mr. Chan and approved by the Board. To implement such schemes, our Company intends to adopt a share award plan which will set out the rules governing the awards of the Shares to eligible employees after Listing. The purpose of the proposed share award plan is to recognize and reward the contributions of the eligible employees of our Group to the growth and development of our Group through the award of Shares. The Company has no immediate plan to implement such share incentive scheme and will consider such implementation one year following the Listing. Eligible employees will be limited to those who have been working for the Group on or prior to 13 July 2017 (being the date on which the Company submitted application to the Stock Exchange for the Listing) until the date the Shares are awarded to him/her pursuant to the proposed share award plan and who, in the opinion of Mr. Chan and the Board, have contributed to the development and business of the Group. The Shares held by each of New Straits, Treasure Line and Flaming Sapphire will not be counted towards public float for the purpose of Rule 8.24 of the Listing Rules and will be subject to the lock-up arrangement as more particularly elaborated in the section headed “Underwriting – Undertakings – Undertaking to the Hong Kong Underwriters – Undertakings by the Controlling Shareholders”, after the Listing. It is the plan of Mr. Chan and the Company that no employees who are eligible to take part in the said share incentive scheme will be given more than 3% interest in the Company. Prior to the adoption of the proposed share award plan, Mr. Chan shall be entitled to the dividends, and exercise the voting rights, attached to the Shares held by each of New Straits, Treasures Line and Flaming Sapphire. Upon adoption of the proposed share award plan, Mr. Chan, as settlor, will, without consideration, enter into a deed of settlement pursuant to which he will declare Shares held by New Straits, Treasure Line and Flaming Sapphire as trust property for the purpose of the proposed share award plan, of which our Company will engage a professional trustee for its operation and management. For further details of the proposed share award plan, please refer to the section headed “Statutory and general information – proposed share award plan” of this prospectus. The Board will make appropriate announcement in accordance with the requirements of the Listing Rules upon adoption of the proposed share award plan. To avoid potential conflict of interest, Mr. Chan will abstain from voting in any relevant resolutions of the Board.

PRC LEGAL COMPLIANCE

M&A Rules

On 8 August 2006, six PRC governmental and regulatory agencies, being MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, SAT, CSRC, SAIC and SAFE jointly promulgated the *Provisions on the Acquisitions of Domestic Enterprises by Foreign Investors* (關於外國投資者併購境內企業的規定) (the “M&A Rules”), which became effective on 8 September 2006 and was amended on 22 June 2009. According to Article 11 of the M&A Rules, where a domestic individual person intends to take over his/her related domestic company through an offshore company which he/she lawfully established or controls, the takeover shall be subject to the examination and approval of MOFCOM; and where a domestic natural person holds an equity interest in a domestic company through an offshore special purpose company, any transaction involving the overseas listing of that special purpose company shall be subject to the approval by CSRC.

The controlling beneficial owner of our PRC Subsidiaries, namely Mr. Chan, has been a Hong Kong permanent resident since the establishment of our PRC Subsidiaries and our PRC Subsidiaries are wholly foreign-owned companies without undergoing any merger or acquisition since their establishment. Therefore, as advised by our PRC Legal Advisers, the M&A Rules do not apply to our Reorganisation and it is not necessary for us to obtain approval from MOFCOM and CSRC.

SAFE Registration in the PRC

Pursuant to Circular 37, special purpose vehicle (the “**SPV**”) refers to overseas companies directly incorporated or indirectly controlled by domestic residents (including domestic institutions and individual domestic residents) using the assets or rights and interest of domestic companies that they legally possess or the overseas assets or rights and interests they legally possess for the purpose of investments and financing. Circular 37 requires registration and timely amendments to the registration for any major change in respect of the SPV, including, among other things, any major change of the SPV’s PRC resident shareholder, name of the SPV, term of operation, or any increase or reduction of the SPV’s registered capital contributed by the PRC domestic resident, share transfer or swap, and merger or division.

Our Shareholders, namely Oceanic Green, New Strength, Gold Alliance, New Straits, Treasure Line and Flaming Sapphire, are beneficially owned by Mr. Chan. Mr. Chan is a Hong Kong permanent resident with no habitual residence in the PRC despite his certain economic interests in the PRC. As such, our PRC Legal Advisers are of the opinion that Mr. Chan is not subject to the registration procedures of the foreign exchange for his overseas investments under Circular 37.

OVERVIEW

We are a well-established provider of integrated plastic solutions in the PRC. For over 17 years, we have specialised in mould design and fabrication services as well as plastic component design and manufacturing services. In recent years, we have also expanded our operations to the manufacturing of e-cigarette products as an OEM.

Through our vertically integrated plastic solution platform, we aim to offer customised, cost-effective and streamlined manufacturing services to our customers through significant synergies between our mould fabrication operations and plastic components manufacturing operations. We primarily design and fabricate plastic injection moulds to be used in the production of plastic components, utilising our in-house plastic component manufacturing process. We are able to specifically engineer and fabricate, with cavities plastic injection moulds, to shape the plastic components in accordance with the desired and customised design, features and specifications. We have the technical capabilities to fabricate moulds that meet the MT1 precision level as defined by the “National Standard of the People’s Republic of China GB/T14486-2008-Dimensional Tolerances for Moulded Plastic Parts” (《中華人民共和國國家標準GB/T14486-2008 – 塑料模塑件尺寸公差》), which is the highest precision level in the national guidelines. By utilising the plastic injection process and applying the plastic injection moulds fabricated by us or, in limited cases, external subcontractors, we manufacture plastic components for office furniture, office electronic products, home appliances, communication products and automobiles. Through over 17 years of development, we have maintained a balanced and diversified customer base by offering integrated plastic solutions to customers from diverse industries, and have established strong relationships with a diverse range of internationally recognised, industry-leading players. As of the Latest Practicable Date, our customers for integrated plastic solutions included Brother, Herman Miller, Canon and Panasonic.

Our extensive experience and technical expertise accumulated from our integrated plastic solutions business have enabled us to develop other products and services that share similar manufacturing processes. Leveraging such experience, we successfully expanded into the manufacturing of e-cigarette products as an OEM under the brand name of “blu” for LOEC in June 2013. Established in 2009, “blu” has been one of the leading global e-cigarette brands, which was acquired by Imperial Tobacco in June 2015 and operated by Imperial Tobacco’s subsidiary, Fontem thereafter. According to the Frost & Sullivan Report, “blu” was the third largest e-cigarette brand globally with 4.2% of total global market share in 2016 in terms of sales value. As (i) we are one of the major plastic component suppliers of “blu”, according to the Frost & Sullivan Report; (ii) we have proven record in the manufacturing of e-cigarette products; and (iii) the retail sales value of the global e-cigarette market is expected to grow sustainably over the next few years, from US\$24.6 billion in 2017 to US\$60.9 billion in 2021, representing a CAGR of 25.5%, according to the Frost & Sullivan Report, we expect our manufacturing of e-cigarette products will benefit from such growth and maintain the important source of our revenue and further improve our overall profit margin. During the Track Record Period, and up to the Latest Practicable Date, we only manufactured e-cigarette products as an OEM and we are prohibited from manufacturing and selling any product that is similar or competes against the products manufactured for Fontem.

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As of the Latest Practicable Date, we had two manufacturing sites located in Shenzhen and Huizhou, Guangdong Province, the PRC, with an aggregate GFA of approximately 167,399 sq.m. In addition, we had custom-built Class 10,000 clean rooms in compliance with ISO14644 occupying a GFA of 1,756 sq.m. installed with equipment for the manufacturing of e-cigarette products and coating process for plastic components. Our manufacturing equipment was manufactured by famous Japanese manufacturers such as Makino, Sumitomo and Toshiba and European manufacturers such as Zeiss. For example, our full-automatic coating manufacturing line installed in the Class 10,000 clean rooms in compliance with ISO14644 enables us to better control the quality of the coating material application on the plastic components and avoid the defect caused by particles. During the Track Record Period, we shifted most of our production from Shenzhen to Huizhou. We completed the construction of phase II of our new site in February 2018 and expect to move the remaining production equipment to Huizhou by the first half of 2018. We believe our Huizhou manufacturing site, which occupies a large area and includes newer equipment, enables us to increase our productivity and better control cost.

As the mould fabrication and plastic component manufacturing industries in which we operate is highly fragmented in the PRC, we are dedicated to differentiating ourselves to explore business opportunities from new markets with high growth potential and good reputation through our strong research and development capability and technical expertise. We have expanded our business to PET mould fabrication and the manufacturing of PET furniture in 2016 and we have supplied a small number of PET furniture, such as office panel to one of our five largest customers during the Track Record Period, Customer C, since June 2016. In addition, we plan to further explore business opportunities from our manufacturing of e-cigarette products. We have developed our in-house capacity to manufacture e-liquid bottles. The e-liquid bottles we manufactured have been certified by IVM in June 2017 in accordance with ISO8317 standard and US 16 CFR § 1700.20 standard thus being in compliance with Fontem's requirements for the designated supplier of e-liquid bottles. We commenced the manufacturing of e-liquid bottles in July 2017 and intend to acquire manufacturing equipment and commence the manufacturing of PCBA at the proper time taking into account customer demand as well as operating expenses, instead of purchasing from third party suppliers. By offering a more diverse range of products, we believe we will be better positioned to compete with other companies that specialise only in certain products in the industry.

In order to broaden our revenue base, apart from our integrated plastic solution business, we intend to offer one-stop manufacturing services to customers, which involve not only plastic components, but also other electronic components and products assembling service as an ODM. For example, we cooperated with KOOFY Development Limited in the development and manufacturing of electric one-wheel self-balancing skateboards, Surfwheel. KOOFY Development Limited is the designing company for Surfwheel. According to the Frost & Sullivan Report, the global market value of electric self-balancing scooters and skateboards increased from US\$1.8 billion in 2011 to US\$3.2 billion in 2016 and is expected to increase further to US\$6.0 billion in 2021. We started the development of Surfwheel in the first half of 2016 and expect to commence mass production in the second quarter of 2018.

BUSINESS

The following table sets forth our revenue by business segment during the Track Record Period.

	Year ended 31 December						Eight months ended 31 August			
	2014		2015		2016		2016		2017	
	<i>(HK\$'000)</i>	<i>% of total</i>	<i>(HK\$'000)</i>	<i>% of total</i>	<i>(HK\$'000)</i>	<i>% of total</i>	<i>(HK\$'000)</i>	<i>% of total</i>	<i>(HK\$'000)</i>	<i>% of total</i>
Integrated plastic solutions	318,152	58.0	270,660	67.5	304,105	54.7	199,181	56.4	203,711	55.9
Manufacturing of e-cigarette products	230,527	42.0	130,518	32.5	251,456	45.3	154,140	43.6	160,743	44.1
Total	548,679	100.0	401,178	100.0	555,561	100.0	353,321	100.0	364,454	100.0

We primarily generate our revenue from providing integrated plastic solutions and the manufacturing of e-cigarette products. We generated revenue of HK\$548.7 million, HK\$401.2 million, HK\$555.6 million, HK\$353.3 million and HK\$364.5 million for the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, respectively.

OUR COMPETITIVE STRENGTHS

We believe that our historical success and the foundation for our future growth can be attributed to our principal competitive strengths as follows:

Our proven track record in offering integrated plastic solutions, including mould design and fabrication services as well as plastic component design and manufacturing services

We are a well-established provider of integrated plastic solutions in the PRC, specialising in mould design and fabrication services as well as plastic component design and manufacturing services, with an operating history of over 17 years.

As plastic injection moulds are the foundation for mass manufacturing of plastic components, the design and quality of the plastic injection moulds are crucial for the smoothness, accuracy and efficiency of the plastic injection process. We believe the well-designed and high-quality plastic injection moulds can facilitate the plastic injection process and have a longer life span in the manufacturing of plastic components. Through our vertically integrated plastic solution platform, we aim to offer customised, cost-effective and streamlined manufacturing services to our customers through significant synergies between our mould fabrication operations and plastic components manufacturing operations. For example, our plastic components manufacturing division has the capability to test the plastic injection moulds that we fabricate, which enhances our efficiency and accuracy in obtaining raw

technical data needed to refine and modify the moulds. We upload such raw technical data to our knowledge management system, which provides us with a reliable and useful technical information database to help us resolve production issues as well as further improve our production capabilities. We employ quality control procedures at each stage of our manufacturing process in compliance with ISO9001 quality management standards to ensure the consistency of our product quality and compliance with internal production benchmark as well as our customers' requirements.

In order to meet stringent product quality requirements from customers and cost pressures from rising labour costs in the PRC, we made significant investments in our advanced production facilities and equipment during the Track Record Period. Our automated manufacturing equipment was manufactured by famous Japanese manufacturers such as Makino, Sumitomo and Toshiba and European manufacturers such as Zeiss. In addition, our mould fabrication equipment and plastic components manufacturing lines are highly automated, which enable us to achieve high production yields and consistently deliver high-quality products by minimising human error. Further, our full-automatic coating manufacturing line installed in the Class 10,000 clean rooms in compliance with ISO14644 enables us to better control the quality of the coating material application on the plastic components and avoid the defect caused by particles. The highly automated equipment and manufacturing lines also reduce our processing cost by reducing our labour costs. Further, our plastic components manufacturing lines can be used for the production of diversified plastic products through parameter adjustments. We believe that our significant investments in advanced production facilities and equipment will be instrumental in maintaining and enhancing our competitiveness.

Our entrenched relationships with high-quality customers from diverse industries

We have maintained a balanced and diversified customer base by offering integrated plastic solutions to customers from diverse industries. The plastic components we produced have been used in a wide range of products, primarily include office furniture, office electronic products, home appliances, communication products and automobiles.

We have established strong relationships with a diverse range of internationally recognised, industry-leading players. As of the Latest Practicable Date, our integrated plastic solution customers included Brother, Herman Miller, Canon and Panasonic, all of whom were among our five largest customers during the Track Record Period. We have supplied our products to these customers for more than five years. Fontem, to whom we primarily sell e-cigarette products, is our largest customer, and has a four-year relationship with us. Our diverse customer base not only mitigates our exposure to fluctuations in different regional markets, end-user industries, product types and customer demands, but also strengthens our understanding of customer needs and business opportunities worldwide. We believe our strong, mutually beneficial relationships with industry-leading players also lend us credibility and enhance our reputation, enabling us to attract new customers.

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We have received various awards and recognitions, such as the Quality Improvement Progress Award from Panasonic, which signify our customers' satisfaction with our services provided. We also participate in the highly regulated e-cigarettes industry, where all products sold in the United States must be subject to FDA approval and all products sold in Europe must be subject to EUTPD regulation. Our proven record in this industry has enabled us to secure long-term relationships with Fontem. We believe that our stable and long-term working relationship with our customers is an invaluable asset to our business which ensures us a source of recurring revenue, and plays an important role for us to promote and develop our business and enhance our profile in both domestic and international markets.

Our strong research and development capability and technical expertise facilitates our business expansion to new markets with high growth potential and good reputation

As the mould fabrication and plastic injection industry in which we operate is highly fragmented in the PRC, we are dedicated to differentiating ourselves to explore business opportunities from new markets with high growth potential and good reputation through our strong research and development capability and technical expertise.

Through our long operating history for mould design and fabrication services as well as plastic component design and manufacturing services, we have accumulated efficient proprietary technologies and know-how in integrated plastic solutions. For example, we are able to manufacture up to 32 pieces of plastic components per shot through plastic injection process while controlling the accuracy to the level of MT1 precision level as defined by the "National Standard of the People's Republic of China GB/T14486-2008-Dimensional Tolerances for Moulded Plastic Parts" (《中華人民共和國國家標準GB/T14486-2008 – 塑料模塑件尺寸公差》), which is the highest precision level in the national guidelines.

We are dedicated to strengthening our research and development capability for technical improvement and product development. As of 31 August 2017, we had a research and development team consisting of 11 members focusing on technical improvement on plastic injection moulds fabrication and plastic components manufacturing. We also have a research and development team with six members focusing on technical innovation on the manufacturing of e-cigarette products, as well as the development of innovative electronic products, such as the electronic one-wheel self-balancing skateboards.

Our deep understanding and technical expertise, as well as our strong research and development capability, enable us not only to offer integrated plastic solutions to our customers from diverse industries, but also facilitate our expansion to new markets with high growth potential and good reputation. For example, we successfully expanded into the manufacturing of e-cigarette products as an OEM under the brand name of "blu" for LOEC beginning in June 2013. Leveraging our technical expertise, we worked closely with Fontem and provided Fontem with manufacturing technical advice to improve its design of products.

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During the Track Record Period, the manufacturing of e-cigarette products enjoyed higher gross profit margin compared with that of integrated plastic solutions, and represented approximately 42.0%, 32.5%, 45.3%, 43.6% and 44.1% of our total revenue, respectively. As (i) we are one of the major plastic component suppliers of “blu”, according to the Frost & Sullivan Report; (ii) we have proven record in the manufacturing of e-cigarette products; and (iii) the retail sales value of the global e-cigarette market is expected to grow sustainably over the next few years, from US\$24.6 billion in 2017 to US\$60.9 billion in 2021, representing a CAGR of 25.5%, according to the Frost & Sullivan Report, we expect our manufacturing of e-cigarette products will benefit from such growth and maintain the important source of our revenue and further improve our overall profit margin.

Our stable and experienced management team with in-depth knowledge and experience

Led by Mr. Chan, we have a management team with strong industrial and operational experience, executive capability and research and development expertise. Our Directors, Mr. Chan and Mr. Cheng Chak have more than 15 years of experience in the mould fabrication and plastic component manufacturing industries. Members of our senior management team also have extensive technological and managerial experience in relevant industries, such as the vice general manager of our e-cigarette department, Mr. Chan Man Ho, who has over 10 years of experience in relevant industries and general management and our technical consultant, Mr. Wu Chen Tong, who has over 25 years of experience in electronic engineering and research and development. Under their collective leadership, we achieved growth during the Track Record Period. We believe that the technical and industry knowledge and the operating experience of our management team have been and will continue to be instrumental in helping us develop and execute our growth strategy amidst a challenging and competitive landscape.

OUR BUSINESS STRATEGIES

Leveraging our competitive strengths and with the business objective to become one of the leading providers of integrated plastic solutions in the PRC, we plan to pursue the following growth strategies:

Continue to expand our customer base by focusing on strategically targeted downstream industries

We intend to continue our industry-focused approach by continuing to service our existing targeted industries as well as make strategic entries into new market segments as we identify profitable opportunities that match our competitive strengths.

For our integrated plastic solutions business, in order to differentiate ourselves from our competitors, and diversify our presence in industries which we consider to have high potential, we have already expanded our business to manufacturing of PET furniture in 2016 and have supplied a small number of PET furniture, such as office panel, to one of our five largest customers during the Track Record Period, Customer C, since June 2016. We plan to further expand our PET business and expect to realise revenue growth from such business. In addition,

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we plan to obtain relevant certificates for the manufacturing of disposable plastic medical consumables utilising our plastic manufacturing lines and Class 10,000 clean rooms in compliance with ISO14644. We believe we will be able to achieve sustainable growth by capitalising the market opportunities brought by these new products.

In order to broaden our revenue base, apart from our integrated plastic solutions business, we intend to offer our customers one-stop manufacturing service that involves not only plastic components, but also other electronic components and products assembling service as an ODM. For example, we cooperated with KOOFY Development Limited in the development and manufacturing of electric one-wheel self-balancing skateboards, Surfwheel. KOOFY Development Limited is the designing company for Surfwheel. According to the Frost & Sullivan Report, the global market value of electric self-balancing scooters and skateboards increased from US\$1.8 billion in 2011 to US\$3.2 billion in 2016 and is expected to increase further to US\$6.0 billion in 2021. We started the development of Surfwheel in the first half of 2016 and expect to commence mass production in the second quarter of 2018.

Further explore business opportunities from our manufacturing of e-cigarette products

During the Track Record Period, under the business agreements with Fontem (before June 2015, LOEC), we manufactured e-cigarette products as an OEM under the brand name of “blu”. At Fontem’s request, we are required to procure e-liquid bottles, PCBA and other raw materials for e-cigarette products from suppliers designated by Fontem.

To capture profit at multiple stages of the manufacturing process and to better control the quality of our components, we plan to diversify our product offerings by developing our own e-liquid bottles and PCBA. To implement this strategy, we have developed our in-house capacity to manufacture e-liquid bottles primarily for our manufacturing of e-cigarette products for Fontem and other e-cigarette product manufacturers designated by Fontem. The e-liquid bottles we manufactured have been certified by IVM in June 2017 in accordance with ISO8317 standard and US 16 CFR § 1700.20 standard, thereby being in compliance with Fontem’s requirements for the designated supplier of e-liquid bottles for Fontem. We commenced the manufacturing of e-liquid bottles mainly utilising our existing manufacturing equipment and intend to acquire manufacturing equipment and commence the manufacturing of PCBA at the proper time taking into account customer demand as well as operating expenses, instead of purchasing from third party suppliers. We expect our in-house manufacturing of e-liquid bottles would reduce our procurement costs and improve our gross profit margin and cash flow, taking into account that we are mainly utilising our existing manufacturing equipment for the in-house manufacturing of e-liquid bottles so that we only recorded a small amount of additional initial capital investment and depreciation charges. Similarly, we expect our in-house manufacturing of PCBA would generally improve our profit margin and cash flow. However, we cannot assure you that we will be able to achieve this target as planned. See “Risk Factors – Risks Relating to Our Businesses – We may not be successful in launching new products, which may limit our growth prospect.” By offering a more diverse range of products, we believe we will be better positioned to compete with other companies that specialise only in certain stages of the industry value chain. Our integrated manufacturing

process will allow us to capture profit at multiple stages of the industry value chain while mitigating the financial and operational risks caused by any supply constraints from our existing suppliers. In addition, we intend to expand our e-cigarette product offering to Fontem. For example, in addition to our continuous cooperation with Fontem for the existing products, we are in the process of negotiating a new cooperative development project with Fontem under which we will provide development, engineering and/or design services for Fontem for new products. However, we cannot assure you that we can successfully reduce our reliance on Fontem. See “Risk Factors – Risks Relating to Our Businesses – Our manufacturing of e-cigarette products substantially relied and will continue to rely on orders from Fontem.” We believe capitalising those business opportunities will broaden our e-cigarette product portfolio, reduce our revenue concentration, enhance our cooperative relationship with Fontem and enhance our brand name within the industry.

Continue production equipment upgrade and capacity expansion to gain economies of scale and enhance market competitiveness

We plan to continue to invest in high-grade and advanced equipment to complement the growth of our operations. As labour costs increase in the PRC, we intend to increase our capital investments and efforts in further automating our production processes by purchasing equipment to replace certain manual processes. We believe that automation will enhance the quality of our products and the efficiency of our processes. We also plan to purchase advanced mould fabrication and plastic injection equipment to enhance our overall technical capabilities and improve our production efficiency.

We believe our integrated plastic solutions will continue to be well received due to their high-quality and competitive costs. In addition, the process technologies and expertise required for cost-effectively developing and manufacturing high-quality plastic components on a large scale present high barriers for aspiring new entrants into the plastic solution industry. According to the Frost & Sullivan Report, the market size of plastic mould fabrication by revenue in China is expected to increase from RMB85.7 billion in 2017 to RMB130.8 billion in 2021, representing a CAGR of 11.1% and the market size of plastic component manufacturing by revenue in China is expected to increase from RMB187.6 billion in 2017 to RMB262.5 billion in 2021, representing a CAGR of 8.8%. As a result, we plan to upgrade our manufacturing equipment to capture the anticipated global demand for plastic components. We completed construction of phase II of our new site in Huizhou in February 2018 and expect to upgrade our plastic injection machines and increase our production capacity for mould fabrication by 5,491 hours by the end of 2018. We expect our planned business expansion to enhance our economies of scale, reduce our unit manufacturing costs, strengthen our raw material purchasing power and enhance our customer relationships.

Expand our research and development efforts and capabilities

We plan to further improve our research and development capabilities by continuing to focus on research and development efforts to develop process-related know-how to improve product quality and our production efficiency, and save production cost. In addition, we intend to further research methods to enhance automation of our production processes to reduce labour cost and increase precision level of our products. We also intend to further research and develop plastic injection mould fabrication as well as plastic injection moulding methodology to accommodate innovative product designs in our various downstream industries. We intend to expand our research and development efforts and capabilities by hiring more research and development personnel and purchasing equipment and materials necessary for our research and development efforts.

OUR BUSINESS MODEL

Our business can be categorised into two segments, namely (i) integrated plastic solutions; and (ii) the manufacturing of e-cigarette products.

Integrated Plastic Solutions

Since our inception in 2000, we have provided integrated plastic solutions covering (i) the design and fabrication of plastic injection moulds; and (ii) design and manufacturing of plastic components employing the plastic injection moulds fabricated internally or by our subcontractors. Through our vertically integrated one-stop total plastic solutions platform, we have capability to offer customised, cost-effective and streamlined manufacturing services to our customers through synergies between our mould fabrication operations and plastic component manufacturing operations. Depending on the complexity of the fabrication and our fabrication capacity, we may outsource certain less technically complicated mould fabrication to third party subcontractors from time to time.

In general, we primarily design and fabricate plastic injection moulds to be used in the production of plastic components by our in-house plastic component manufacturing process. We also, to a lesser extent, design and fabricate plastic injection moulds for third party customers for their respective manufacturing process. For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, we generated revenue of HK\$0.4 million, HK\$1.4 million, HK\$3.7 million, HK\$3.0 million and HK\$7.4 million, respectively, from sales of moulds to customers, without the manufacturing of plastic components.

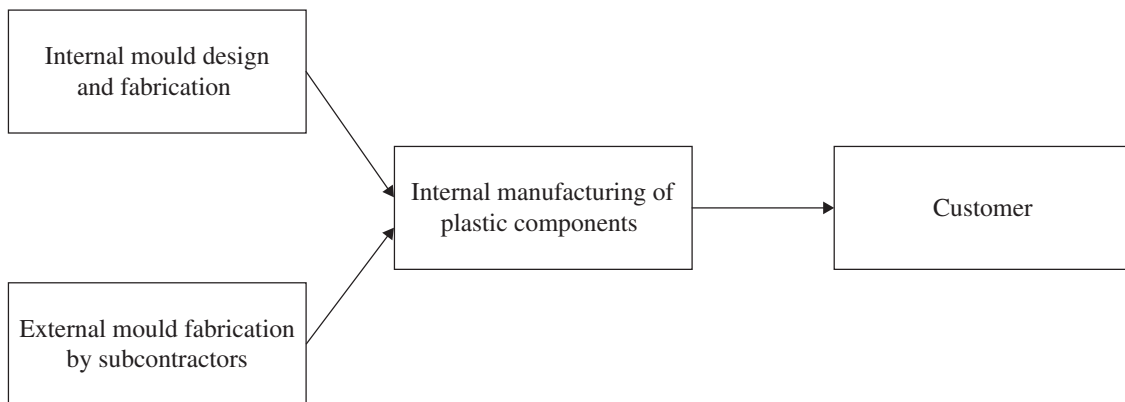
As part of our integrated plastic solutions, we offer pre-sale design, feasibility and optimisation advice with respect to both moulds and plastic components during our customers' product design processes as a value-added service for which we do not charge a separate fee. We seek to differentiate ourselves by taking a proactive role in the early stages of our customers' product design and development cycles, in particular for new product lines of our customers. We believe that this value-added service is essential to our business model and

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business strategy and that our proactive early involvement enables us not only to better understand our customers' needs but also to provide practical, innovative solutions to our customers with a view to helping them minimise costs and improve the functionality and quality of their products. We believe that our pre-sale design, feasibility and optimisation advice has led us to produce products of better quality as well as to secure more business from our customers.

We have expanded our business to PET mould fabrication and the manufacturing of PET furniture in 2016 and we have supplied a small number of PET furniture, such as office panel to one of our five largest customers during the Track Record Period, Customer C, since June 2016.

The following diagram illustrates the business model of our integrated plastic solutions:

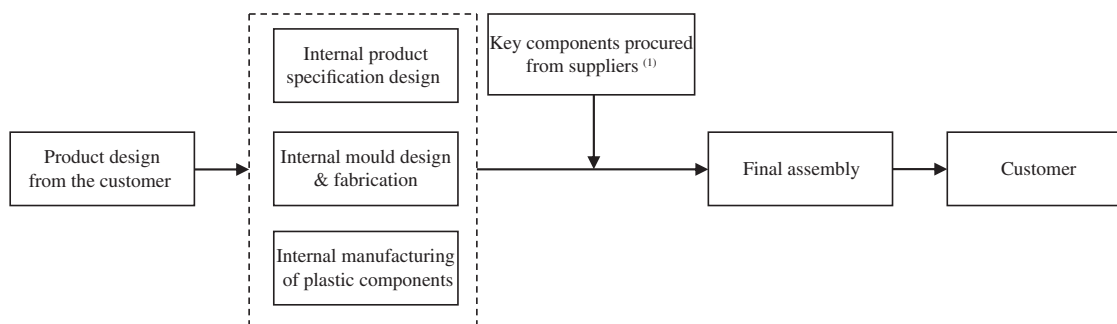


Note: We may design, fabricate and sell plastic injection moulds for customers separately (without utilising such moulds to manufacture plastic components for customers) from time to time.

Apart from our integrated plastic solutions business, we intend to offer our customers one-stop manufacturing service that involves not only plastic components, but also other electronic components and products assembling service as an ODM. For example, we cooperated with KOOFY Development Limited in the development and manufacturing of electric one-wheel self-balancing skateboards, Surfwheel. KOOFY Development Limited is the designing company for Surfwheel.

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The following diagram illustrates the ODM business model for the development and manufacturing of Surfwheel.



Note:

(1) We procure certain key components such as motor and lithium battery from suppliers.

We started the development of Surfwheel in the first half of 2016 and expect to commence mass production in the second quarter of 2018. We are in the process of negotiating the cooperative agreement with KOOFY Development Limited for our future cooperation and we have not executed any long-term cooperative agreement with KOOFY Development Limited up to the Latest Practicable Date.

We generated revenue of HK\$1.1 million and HK\$0.5 million for the year ended 31 December 2016 and the eight months ended 31 August 2017, respectively, from our trial production of Surfwheel. We expect our revenue from sales of Surfwheel to increase after the expected mass production in the second quarter of 2018 and represent a small portion of our total revenue. Our major cost of sales includes product development cost, procurement costs for raw material and components, manufacturing costs and other administrative costs. We expect our gross profit margin for sales of Surfwheel to range from approximately 25% to 35% after mass production. As we do not expect to incur significant product development costs for Surfwheel, our Directors expect we will be able to maintain positive cash flow for the development and manufacturing of Surfwheel.

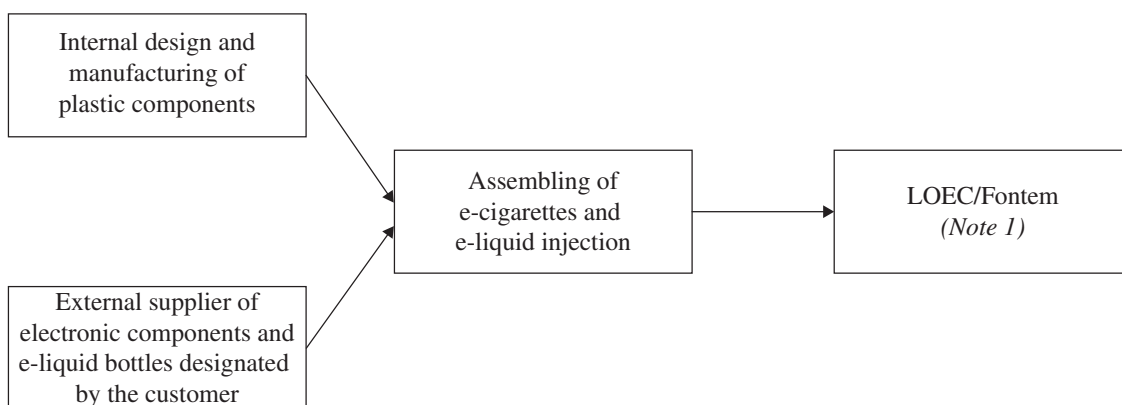
E-cigarette Product Manufacturing

Since June 2013, we have manufactured e-cigarette products as an OEM under the brand name of “blu” for LOEC, the then brand owner of “blu”. Established in 2009, “blu” has been one of the leading global e-cigarette brands. According to the Frost & Sullivan Report, “blu” was the third largest e-cigarette brand globally with 4.2% of total global market share in 2016 in terms of sales value. In June 2015, LOEC was acquired by Imperial Tobacco and “blu” was subsequently operated by Fontem. After such acquisition, our contract with LOEC was assigned to Fontem and we continued to manufacture e-cigarette products under the brand name of “blu” for Fontem. According to the Frost & Sullivan Report, we were the sixth-largest e-cigarette manufacturer in China with 1.2% of total Chinese market share in 2016 in terms of revenue.

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During the Track Record Period, and up to the Latest Practicable Date, we manufactured e-cigarette products primarily for Fontem (before June 2015, LOEC) as an OEM. During the Track Record Period, we also sold a small amount of e-cigarette components to Supplier L, one of our five largest suppliers during the Track Record Period and a third party, both of which are Fontem’s suppliers, in accordance with Fontem’s request. For details of our relationship with Supplier L, see “– Customers – Relationship with Supplier L”. We are prohibited from manufacturing and selling any product that is similar or competes against the products manufactured for Fontem. For the details of our relationship with LOEC and Fontem, please refer to “– Customers – Relationship with LOEC and Fontem”.

The following diagram illustrates the business model for our manufacturing of e-cigarette products:



Note:

- (1) We manufacture e-cigarettes under the brand name of “blu” for Fontem, as an OEM. We do not sell e-cigarettes to individual end-user consumers.

For the manufacturing of e-cigarette products, we are required to procure raw materials and components such as PCBA and e-liquid bottles from suppliers designated by Fontem. We have developed our in-house capacity to manufacture e-liquid bottles. The e-liquid bottles we manufactured have been certified by IVM in June 2017 in accordance with ISO8317 standard and US 16 CFR § 1700.20 standard thus being in compliance with Fontem’s requirements for the designated supplier of e-liquid bottles. We commenced the manufacturing of e-liquid bottles in July 2017 and intend to acquire manufacturing equipment and commence the manufacturing of PCBA at the proper time taking into account customer demand as well as operating expenses, instead of purchasing from third party suppliers.

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The following table sets forth our total revenue by business segment during the Track Record Period.

	Year ended 31 December						Eight months ended 31 August			
	2014		2015		2016		2016		2017	
	(HK\$'000)	% of total	(HK\$'000)	% of total	(HK\$'000)	% of total	(HK\$'000)	% of total	(HK\$'000)	% of total
Integrated plastic solutions	318,152	58.0	270,660	67.5	304,105	54.7	199,181	56.4	203,711	55.9
Manufacturing of e-cigarette products	230,527	42.0	130,518	32.5	251,456	45.3	154,140	43.6	160,743	44.1
Total	548,679	100.0	401,178	100.0	555,561	100.0	353,321	100.0	364,454	100.0

OUR PRODUCTS AND SERVICES

Integrated Plastic Solutions

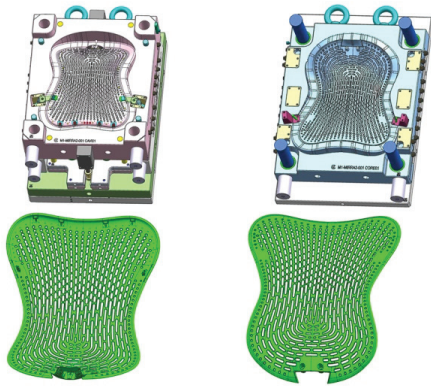
Plastic Injection Moulds

A plastic injection mould is a complex metallic structure used during the plastic injection moulding process. The mould is designed and fabricated with cavities in order to shape plastic components, which must be manufactured in accordance with the desired design, features and specifications. Therefore, a custom-made mould is necessary in the manufacturing of plastic components utilising the plastic injection process. We have the technical capabilities to fabricate moulds that meet the MT1 precision level as defined by the “National Standard of the People’s Republic of China GB/T14486-2008 – Dimensional Tolerances for Moulded Plastic Parts” (《中華人民共和國國家標準GB/T14486-2008 – 塑料模塑件尺寸公差》), which is the highest precision level in the national guidelines. The life span and prices of the plastic injection moulds we manufacture vary depending on the type and specification of the mould. Generally, the plastic injection moulds we fabricate can be utilised for 500,000 shots to 1,000,000 shots through plastic injection process. The prices of our plastic injection moulds range from RMB4,000 to RMB1.9 million. During the Track Record Period, the prices of our plastic injection moulds did not experience any material fluctuation.

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The following chart sets forth samples of our plastic injection mould products.

Photos of our products



Description

This plastic injection mould is designed and fabricated for the manufacturing of plastic chair back, which is used to assemble office chairs.

Plastic Components

We primarily produce plastic components by utilising the plastic injection process. Our products primarily include plastic components for office furniture such as office chairs, office electronic products such as printers and copy machines, home appliances such as air conditioners, communication products such as routers, as well as automobiles. The life span and prices of our plastic components vary depending on the type of end product as well as the type of raw materials used. Generally the life span of our plastic components ranges from five years to 12 years. The prices of our plastic components range from approximately US\$0.01 to approximately US\$35. During the Track Record Period, the prices of our plastic components did not experience any material fluctuation.

The following chart sets forth samples of our plastic component products.

Photos of our products

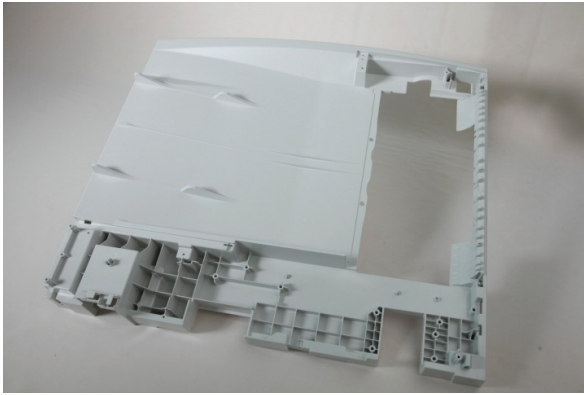


Description

This plastic component is part of the outer shell of the indoor unit of an air conditioner. This plastic component is manufactured for Panasonic.

BUSINESS

Photos of our products



Description

This plastic component is part of the outer shell of a copy machine. This plastic component is manufactured for Brother.



This plastic component is part of an office chair. This plastic component is manufactured for Herman Miller.

E-cigarette Products

We manufacture e-cigarette products as an OEM under the brand name of “blu” for LOEC before June 2015 and primarily for Fontem thereafter. During the Track Record Period, we also sold a small amount of e-cigarette components to Supplier L, one of our five largest suppliers during the Track Record Period and a third party, both of which are Fontem’s suppliers, in accordance with Fontem’s request. For details of our relationship with Supplier L, see “– Customers – Relationship with Supplier L”. In 2014 and 2015, we only manufactured and sold disposable e-cigarettes and we started to manufacture and sell finished e-cigarettes (including disposable e-cigarettes and refillable e-cigarettes) in 2016. We further expanded to the manufacturing and sales of other e-cigarette products, such as battery rods and clearomisers to our customer in accordance with its orders in 2017. The life span and prices of the e-cigarette products we manufacture vary depending on the type of the product. The life span of our disposable e-cigarettes is approximately equal to two packs of traditional cigarettes and the Pro-Kit set can last approximately 300 puffs from each fully filled clearomiser. During the Track Record Period, the prices of our e-cigarette products did not experience any material fluctuation.

BUSINESS

The following chart sets forth samples of our primary e-cigarette products.

Photos of our products

Description



Disposable e-cigarettes



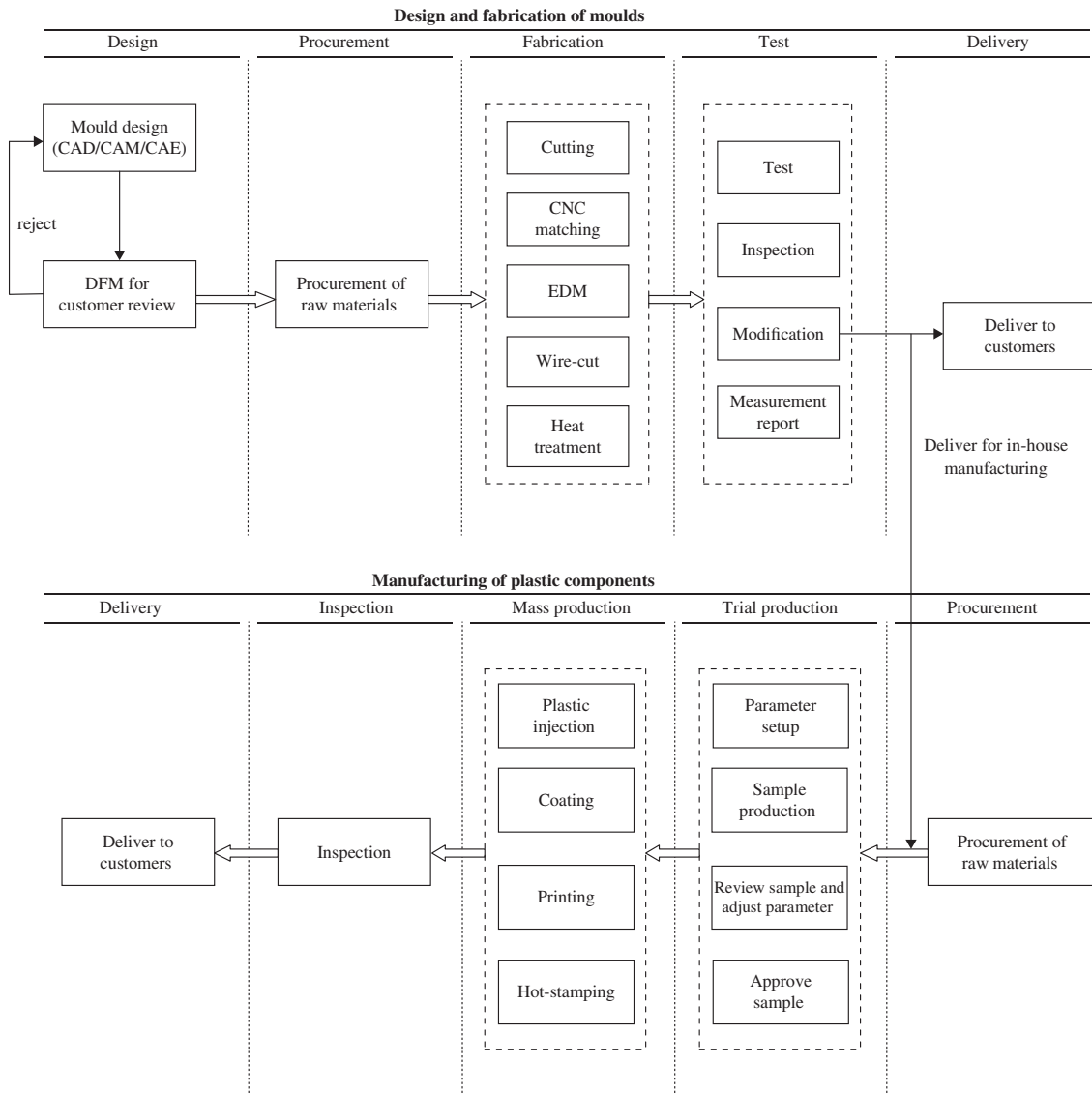
Pro-Kit set, includes an e-liquid bottle, a battery rod, a clearomiser and a USB charging cable. The Pro-Kit set can be easily assembled by the end-user consumer and the E-liquid and charge are easy to re-fill.

BUSINESS

MANUFACTURING PROCESS

Integrated Plastic Solutions

The following diagram illustrates the manufacturing process for integrated plastic solutions.



Our integrated plastic solutions are divided into two major steps: design and fabrication of moulds and the manufacturing of plastic components.

Design and Fabrication of Moulds

The plastic injection moulds are the foundation for mass manufacturing of plastic components. The design and quality of the plastic injection moulds are crucial for the smoothness, accuracy and efficiency of the plastic injection process. We believe the well-designed and high-quality plastic injection moulds can facilitate the plastic injection process and have a longer life span in the manufacturing of plastic components.

When we receive a request for quotation, we will set up a team comprising the project managers, engineering staff and marketing staff to discuss the potential customer's request and evaluate project feasibility as well as our capacity. If we consider a project to be feasible, we will provide our potential customer with a preliminary plan, including preliminary mould specifications, design plan, budget, timetable and quotation. After our potential customer accepts our preliminary plan, we will open a project matter and assign a project manager to monitor the day-to-day operations and liaise with our customers.

Design. Mould design is the crucial first step for the fabrication of moulds. As of the Latest Practicable Date, our mould design team comprised four engineers. In accordance with our customers' specifications and requirements, our mould design team engages in CAD/CAM/CAE design and formulation using computer software programmes. After our customer confirms the specifications, we enter such information into our CAD programmes to generate two-dimensional design blueprints and three-dimensional geometry. Our fabrication technicians then use CAE simulation to identify the optimal fabrication pattern in accordance with the output from the CAD programmes. After internal inspections, we will submit the DFM to the customer for review and approval. Throughout the design stage, our design team keeps close contact with our customer so as to discuss, analyse and, if necessary, modify the mould design.

Procurement. After our customer confirms the mould design, we procure raw materials and components such as mould base and steel for the project. We also employ our ERP system to manage our raw materials and control the cost. See “– Procurement”.

Fabrication. A mould is generally fabricated in subparts, which are cut, machined, milled, and/or refined as well as quality-tested individually, before being assembled. Depending on the design of the mould component, we generally use CNC, EDM, wire cut and/or other processes to fabricate the mould component. Depending on the complexity of the moulds and our production capacity, we may sometimes subcontract the fabrication of less technically complicated moulds to our subcontractors. After the mould components are ready, our assembly team will assemble the components.

Test. Before our moulds are delivered for manufacturing of plastic components, our quality control team will inspect the mould in accordance with the design and we will also use the mould to trial produce several sample plastic components. We may further modify the mould based on the results of our trial production.

Delivery. After internal inspection and test, the mould will be delivered either for our in-house production of plastic components or to third party customers for their own production of plastic components.

The time for design and fabrication of moulds varies by product. Generally, the time ranges from one to seven days to design a plastic injection mould and from 11 days to 57 days to fabricate a plastic injection mould.

Manufacturing of Plastic Components

Procurement. Sometimes, our customers will specify the brand of the major raw materials or the suppliers of the major raw materials to be utilised in the manufacturing of plastic components. For example, our customer, Brother, normally requires us to procure plastic resins from a well-recognised Japanese plastic resin supplier.

Trial Production. Our plastic injection moulds will be mounted onto plastic injection moulding machines and we will set up the production parameters. Plastic resins are then loaded into our centralised feeding system for sample production. Based on our review of the sample, we may adjust the parameters for another sample batch until the quality of the sample meets our quality standard and our customers' requirements.

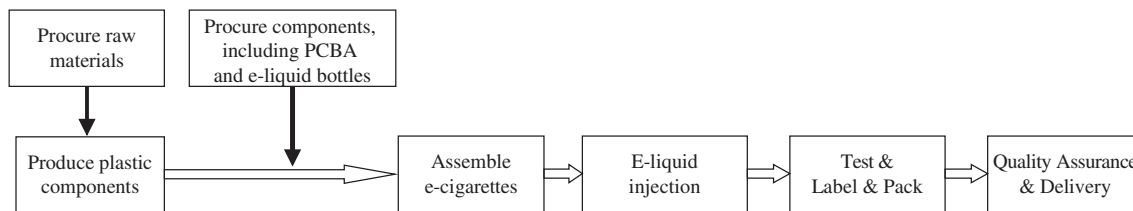
Mass Production. We commence mass production in accordance with our customers' orders. After the plastic injection process, we also perform secondary processes such as coating, spray-printing, printing and hot stamping, depending on the customers' request. The coating process is carried out in our Class 10,000 clean rooms in compliance with ISO14644.

Inspection and Delivery. Our quality control team will inspect the quality of the plastic components through random quality check. Upon the completion of inspection, the plastic components are then packed and delivered.

The production time of plastic components varies by product. Generally, the production time for plastic injection process ranges from 18 seconds to 145 seconds for a plastic component and the production time for secondary process such as coating ranges from eight seconds to two minutes for a plastic component.

E-cigarette Product Manufacturing

The following diagram illustrates the manufacturing process for e-cigarette products.



Procurement. After we receive orders from our customer, we procure raw materials such as plastic resins for our manufacturing of plastic components as well as components such as PCBA and e-liquid bottles for our assembling of e-cigarette products. To capture profit at multiple stages of the manufacturing process and to better control the quality of our components, we have developed our in-house capacity to manufacture e-liquid bottles primarily for our manufacturing of e-cigarette products for Fontem and other e-cigarette product manufacturers designated by Fontem. The e-liquid bottles we manufacture have been certified by IVM in June 2017 in accordance with ISO8317 standard and US 16 CFR § 1700.20 standard thus being in compliance with Fontem’s requirements for a designated supplier of e-liquid bottles. We commenced the manufacturing of e-liquid bottles in July 2017 mainly utilising our existing manufacturing equipment and intend to acquire manufacturing equipment and commence the manufacturing of PCBA at the proper time taking into account customer demand as well as operating expenses, instead of purchasing from third-party suppliers. For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2017, we used nil, 56,000, 1.9 million and 1.5 million sets of e-liquid bottles in the manufacturing of e-cigarette products, respectively, among which approximately 1.2 million sets of e-liquid bottles for the eight months ended 31 August 2017 were produced by us. As of the Latest Practicable Date, our production capacity of e-liquid bottles reached approximately 52,800 sets per day and we manufacture e-liquid bottles in accordance with the orders placed by our customers from time to time. As of the Latest Practicable Date, we did not have any long-term confirmed or indicative orders from our customers. We expect our in-house manufacturing of e-liquid bottles would reduce our procurement costs and improve our gross profit margin and cash flow, taking into account that we are mainly utilising our existing manufacturing equipment for the in-house manufacturing of e-liquid bottles so that we would only record a small amount of additional initial capital investment and depreciation charges. Similarly, we expect our in-house manufacturing of PCBA would generally improve our profit margin and cash flow. However, we cannot assure you that we will be able to achieve this target as planned. See “Risk Factors – Risks Relating to Our Businesses – We may not be successful in launching new products, which may limit our growth prospect.” As e-liquid bottles and PCBA are primarily used in our e-cigarette product manufacturing as components instead of products available for sale, we do not expect our revenue mix to change materially after we manufacture e-liquid bottles and PCBA.

BUSINESS

Plastic Components Production. We manufacture all plastic components for e-cigarette products, such as mouthpiece and controller button through our integrated plastic solution process.

Assembly of E-cigarettes. Subsequently, we assemble each component, such as battery rods, clearomisers, e-liquid bottles and PCBA in the assembly line to form the finished e-cigarettes. Other than finished e-cigarettes, we also sell other e-cigarette products, such as battery rods and clearomisers to our customers in accordance with their orders.

E-liquid Injection. Subsequently, we inject the e-liquid into clearomiser utilising e-liquid injection machines.

Test, Label and Pack. The e-cigarettes are tested, labelled and packed in accordance with our customers' requirements.

Quality Assurance and Delivery. We conduct quality assurance on the finished e-cigarettes or e-cigarette products. Upon the completion of the quality assurance procedure, the finished e-cigarettes are delivered to our customer.

The e-liquid injection, final assembly and labeling process are carried out in our Class 10,000 clean rooms in compliance with ISO14644.

Generally, the production time for mould fabrication and plastic component injection for our e-cigarette components is the same as that of our integrated plastic solution. The production time to assemble and pack e-cigarettes is generally within two days.

PRODUCTION FACILITIES AND PRODUCTION CAPACITY

Production Facilities

As of the Latest Practicable Date, we had two manufacturing sites located in Shenzhen and Huizhou, Guangdong Province, the PRC, with an aggregate GFA of approximately 167,399.0 sq.m. Our manufacturing site in Shenzhen is used by Tian Chang Shenzhen and Sun Leader Shenzhen and our manufacturing site in Huizhou is used by Tian Chang Huizhou and Sun Leader Huizhou. See “– Properties”. In addition, we had custom-built Class 10,000 clean rooms in compliance with ISO14644 occupying a GFA of 1,756 sq.m. installed with equipment for the manufacturing of e-cigarette products and coating process for plastic components and Class 100,000 clean rooms in compliance with ISO14644 occupying a GFA of 1,851 sq.m. as changing room, testing center and coating drying room.

We commenced construction of phase I of our new site in Huizhou in July 2012 and started relocating our manufacturing equipment to phase I of our new site in the third quarter of 2015. We completed the construction of phase II of our new site in Huizhou, with a total planned GFA of 31,853.0 sq.m. in February 2018 and expect to complete the leasehold improvement by the first half of 2018.

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The following table sets forth details of our manufacturing sites as of the Latest Practicable Date.

<u>Manufacturing site</u>	<u>Approximate GFA</u> <i>(sq.m.)</i>	<u>Products</u>
Huizhou, Guangdong Province, the PRC (Phase I)	34,662	Integrated plastic solutions, including Class 10,000 clean rooms occupying a GFA of 441 sq.m. and Class 100,000 clean rooms occupying a GFA of 1,729 sq.m.
	13,914	E-cigarette products, including Class 10,000 clean rooms occupying a GFA of 1,315 sq.m. and Class 100,000 clean rooms occupying a GFA of 122 sq.m.
	12,475	Office and auxiliary facilities
	33,430	Dormitory
	21,380	Storage
	9,891	Others
Shenzhen, Guangdong Province, the PRC	8,170	Integrated plastic solutions
	5,095	Office and auxiliary facilities
	9,996	Dormitory
	3,762	Storage
	14,625	Others

BUSINESS

Equipment

Our manufacturing equipment was manufactured by famous Japanese manufacturers such as Makino, Sumitomo and Toshiba and European manufacturers such as Zeiss. The following table sets forth the details of units of our key equipment as of the Latest Practicable Date.

<u>Production equipment</u>	<u>Function</u>	<u>Owned/ leased</u>	<u>Number of units</u>	<u>Expected life span</u>	<u>Average age as of the Latest Practicable Date</u>
3-Axis CNC milling machine	Mould fabrication	Owned	12	8	7.5
		Leased ⁽²⁾	9	8	1.8
EDM machine	Mould fabrication	Owned	15	8	7.3
		Leased ⁽²⁾	4	8	2.3
Wire-cut machine	Mould fabrication	Owned	7	8	5.6
		Leased ⁽²⁾	4	8	2.3
Plastic injection machine ⁽¹⁾	Plastic components manufacturing	Owned	210	10	11.6
		Leased ⁽²⁾	16	10	1.8
E-liquid injection machine	E-cigarette product manufacturing	Owned	4	5	3.6
Blow-moulding machine	E-cigarette product manufacturing	Owned	1	5	0.7
Test machine	E-cigarette product manufacturing	Owned	2	5	4.1
Label machine	E-cigarette product manufacturing	Owned	14	5	3.8
Laminating machine	E-cigarette product manufacturing	Owned	4	5	3.5
PET machine ⁽³⁾	PET product manufacturing	Owned	1	8	3.0

Note:

- (1) Excluding 42 plastic injection machines that we did not deploy during the Track Record Period and up to the Latest Practicable Date.
- (2) Such equipment is under finance leases.
- (3) During the Track Record Period, we only manufactured a small number of PET products in 2016. Therefore, our management believes it is not meaningful to disclose the production capacity and utilisation rate of the PET machine during the Track Record Period.

For our manufacturing equipment upgrade plan, see “– Equipment Upgrade and Capacity Expansion”.

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Production Capacity and Utilisation Rate

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

Design and Fabrication of Plastic Injection Moulds

The following table sets forth the total number of our key mould fabrication equipment, estimated annual production capacity, actual annual machine production time and estimated average utilisation rate of our mould fabrication for the periods indicated.

	Year ended 31 December			Eight months ended 31 August
	2014	2015	2016	2017
	Number of key mould fabrication equipment ⁽¹⁾⁽²⁾	21	35	36
Estimated annual production capacity (<i>hours</i>) ⁽²⁾⁽³⁾	115,315	192,192	197,683	139,110
Actual annual machine production time ⁽²⁾⁽⁴⁾	66,777	81,828	80,511	47,887
Estimated average annual utilisation rate ⁽²⁾⁽⁵⁾	57.9%	42.6%	40.7%	34.4%

Notes:

- (1) Based on the number of machines as of the end of each period indicated.
- (2) We had a total of 13 mould fabrication equipment with an average age of 8.6 years that we did not deploy during the Track Record Period and up to the Latest Practicable Date, as they were unable to fabricate high-precision plastic injection moulds. The management plans to dispose such equipment when suitable opportunities arise. Therefore, our management believes that disclosing the production capacity, production volume and utilisation rate for equipment in production would provide better information to investors given the significant difference caused by the inclusion of equipment not deployed during the Track Record Period and up to the Latest Practicable Date.
- (3) Estimated by multiplying the theoretical maximum operating time of each mould fabrication machine by the number of mould fabrication machines. Theoretical maximum operating time of each mould fabrication machine is calculated on the basis of 22 hours a day, 26 days a month and 80% of the time as active time. A total of 22 hours per day is assumed to account for mould fabrication workers' meal and break time as well as set-up time. An average of 26 days per month is assumed to account for four days for staff holidays. An average of 20% of the time is assumed to account for the maintenance time for the mould fabrication machine.
- (4) Equals to actual time spent in production by the equipment.
- (5) Equals to actual time spent in production divided by the estimated annual production capacity.

BUSINESS

The utilisation rate for our mould fabrication machines in production was relatively low during the Track Record Period, primarily due to the production cycle of our integrated plastic solution projects. Generally, the mould fabrication takes up to 57 days and the mould we fabricated can be utilised to produce plastic components for approximately 500,000 shots to 1 million shots through plastic injection process. In addition, we only arranged one shift of 11 hours per day historically, which also caused the low utilisation rate during the Track Record Period. Further, we acquired a total of 14 mould fabrication equipment in 2015 for our new site in Huizhou. Equipped with such advanced mould fabrication equipment, we are able to fabricate moulds with higher precision level and improve our operating efficiency, as compared with previously owned equipment. Our utilisation rate for our mould fabrication equipment in production decreased from 57.9% for the year ended 31 December 2014 to 42.6% for the year ended 31 December 2015, primarily due to the relocation of 11 mould fabrication equipment from Shenzhen to our newsite in Huizhou in December 2014 and January 2015, which required some ramp-up time after the relocation. The utilisation rate for our plastic injection equipment in production decreased slightly to 40.7% for the year ended 31 December 2016. Our utilisation rate for our mould fabrication equipment in production decreased to 34.4% for the eight months ended 31 August 2017, primarily due to the relocation of the remaining mould fabrication equipment from Shenzhen to Huizhou from January to April 2017.

Plastic Components Manufacturing

The following table sets forth the total number of our key plastic injection equipment, estimated annual production capacity, actual annual machine production time and estimated average utilisation rate of our plastic component manufacturing for the periods indicated.

	Year ended 31 December			Eight months ended 31 August
	2014	2015	2016	2017
Number of key plastic injection equipment ⁽¹⁾⁽²⁾	158	160	167	192
Estimated annual production capacity (hours) ⁽¹⁾⁽³⁾	867,610	878,592	917,030	702,874
Actual annual machine production time (hours) ⁽¹⁾⁽⁴⁾	496,682	422,398	567,602	502,896
Estimated average annual utilisation rate ⁽¹⁾⁽⁵⁾	57.2%	48.1%	61.9%	71.5%

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Notes:

- (1) We had a total of 41 plastic injection equipment with an average age of 16 years that we did not deploy during the Track Record Period and up to the Latest Practicable Date, as they are unable to manufacture high-precision plastic components. The management plans to dispose such equipment when suitable opportunities arise. In addition, we had a total of 1 new plastic injection equipment which we had not deployed yet up to the Latest Practicable Date. Therefore, our management believes that disclosing the production capacity, production volume and utilisation rate for equipment in production would provide better information to investors given the significant difference caused by the inclusion of equipment not deployed during the Track Record Period and up to the Latest Practicable Date.
- (2) Based on the number of machines as of the end of each period indicated.
- (3) Estimated by multiplying the theoretical maximum operating time of each plastic injection machine by the number of plastic injection machines. Theoretical maximum operating time of each plastic injection machine is calculated on the basis of 22 hours a day, 26 days a month and 80% of the time as active time. A total of 22 hours per day is assumed to account for plastic injection production workers' meal and break time as well as set-up time. An average of 26 days per month is assumed to account for four days for staff holidays. An average of 20% of the time is assumed to account for the maintenance time for the plastic injection machines.
- (4) Equals to actual time spent in production by the equipment.
- (5) Equals to actual time spent in production divided by the estimated annual production capacity.

Our utilisation rates for our plastic injection equipment in production decreased from 57.2% for the year ended 31 December 2014 to 48.1% for the year ended 31 December 2015, primarily due to the relocation of our plastic injection equipment from Shenzhen to our new site in Huizhou in 2015. The utilisation rate for our plastic injection equipment in production increased back to 61.9% for the year ended 31 December 2016 and further to 71.5% for the eight months ended 31 August 2017 after the relocation of our plastic injection department completed in December 2016.

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E-cigarette Product Manufacturing

The following table sets forth the total number of our key e-cigarette product manufacturing equipment, estimated annual production capacity, actual annual machine production time and estimated average utilisation rate of our e-cigarette product manufacturing for the periods indicated.

	Year ended 31 December			Eight months ended 31 August
	2014	2015	2016	2017
	Number of key e-cigarette product manufacturing equipment ⁽¹⁾⁽²⁾	14	14	14
Estimated annual production capacity (hours) ⁽²⁾⁽³⁾	76,877	76,877	76,877	47,590
Actual annual machine production time (hours) ⁽²⁾⁽⁴⁾	31,884	19,049	27,478	16,609
Estimated average annual utilisation rate ⁽²⁾⁽⁵⁾	41.5%	24.8%	35.7%	34.9%

Notes:

- (1) Based on the number of machines as of the end of each periods indicated.
- (2) As of 31 December 2014, 2015 and 2016 and 31 August 2017, we had a total of 8, 8, 10 and 12 e-cigarette product manufacturing equipment that we did not utilise during the respective period, as the customer changed product specifications. Our management plans to dispose them when suitable opportunities arise or modify them in accordance with the customers' existing specifications. Therefore, our management believes that disclosing the production capacity, production volume and utilisation rate for equipment in production would provide better information to investors given the significant difference may cause by the equipment not deployed.
- (3) Estimated by multiplying the theoretical maximum operating time of each key e-cigarette product manufacturing machine by the number of key e-cigarette product manufacturing machines. Theoretical maximum operating time of each key e-cigarette product manufacturing machine is calculated on the basis of 22 hours a day, 26 days a month and 80% of the time as active time. A total of 22 hours per day is assumed to account for workers' meal and break time. An average of four days per month is assumed to account for four days for staff holidays. An average of 20% of the time is assumed to account for the maintenance time for the key e-cigarette product manufacturing machines.
- (4) Equals to actual time spent in production by the equipment.
- (5) Equals to actual time spent in production divided by the estimated annual production capacity.

The utilisation rate for our e-cigarette product manufacturing equipment in production was relatively low during the Track Record Period, as the customer orders we received were less than our annual estimated production capacity and historically we only arranged one shift of 11 hours per day. The utilisation rate for our e-cigarette product manufacturing equipment

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in production decreased from 41.5% for the year ended 31 December 2014 to 24.8% for the year ended 31 December 2015, primarily due to the reduced customer orders we received from LOEC due to Imperial Tobacco's acquisition of LOEC in 2015. The utilisation rate for our e-cigarette product manufacturing equipment in production increased to 35.7% for the year ended 31 December 2016 due to the customer orders from Fontem that recovered in 2016. The utilisation rate for our e-cigarette product manufacturing equipment in production remained relatively stable at 34.9% for the eight months ended 31 August 2017.

Equipment Upgrade and Capacity Expansion

To continue supporting our growth, we have relocated to our new site in Huizhou and expanded manufacturing capacity to meet market demand for our products. We believe that our manufacturing facilities being well maintained, in good operating condition and suitable for their current purposes is vital to our operations. Therefore, we plan to continue to upgrade our manufacturing equipment and expand our manufacturing capacity. Our estimated capital expenditures for the planned equipment upgrade and capacity expansion from 1 September 2017 to 31 December 2018 amounted to HK\$99.2 million, which will be funded with the proceeds of the Global Offering and our internal resources.

We completed the construction of phase II of our new site in Huizhou in February 2018 and expect to complete the leasehold improvement by the first half of 2018. We plan to purchase new production equipment to replace certain equipment that has exceeded their expected life span. We intend to purchase such equipment in the first half of 2018 to replace approximately 49 sets of plastic injection machines which had an average age of 15 years as of the Latest Practicable Date and exceeded expected life span of 10 years. Therefore, we do not expect such equipment upgrading will increase our estimated annual production capacity. However, we expect that we are able to improve the precision level of the plastic components we produce, shorten the production time per shot, improve the sustainability of our product quality and reduce electricity consumption through such equipment upgrading. In addition, we plan to acquire a new five-Axis CNC milling machine, which is a more advanced model of the CNC milling machine, to be utilised to improve the precision level of the moulds we produce as well as our manufacturing efficiency, as compared with our existing three-Axis CNC milling machines. Therefore, we believe such capital expenditures are necessary even though the utilisation rates for our production lines have not reached their maximum levels. Further, leveraging our experience in the manufacturing of PET furniture and stable demand from one of our five largest customers, Customer C, we intend to acquire a new model of automatic PET manufacturing line to further improve the quality of our PET furniture product and attract more customer orders. Equipped with the new PET manufacturing line, we expect to improve the smoothness of the furniture surface and the thickness of the product, as well as production efficiency and production safety. We intend to install all new manufacturing equipment in phase II of our new site in Huizhou after we complete the leasehold improvement.

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We expect the market demand for both integrated plastic solutions and e-cigarette products will increase in the future. According to the Frost & Sullivan Report, the market size of plastic mould fabrication by revenue in China is expected to increase from RMB85.7 billion in 2017 to RMB130.8 billion in 2021, representing a CAGR of 11.1% and the market size of plastic component manufacturing by revenue is expected to increase from RMB187.6 billion in 2017 to RMB262.5 billion in 2021, representing a CAGR of 8.8%. We expect to capture such market growth through our equipment upgrade and capacity expansion.

The table below sets forth our planned equipment upgrade and capacity expansion for the year ending 31 December 2018.

<u>Production equipment</u>	<u>Function</u>	<u>Number of units</u>	<u>Expected production capacity expansion⁽¹⁾</u>	<u>Expected installation time</u>
5-Axis CNC milling machine	Mould fabrication	1	5,491	the end of 2018
Plastic injection machine	Plastic components manufacturing	49	N/A ⁽²⁾	the end of 2018
PET manufacturing line	PET product manufacturing	1	5,491	the third quarter of 2018

Notes:

- (1) For calculation methods, see “Production Capacity and Utilisation Rate.”
- (2) The 49 plastic injection machines are expected to replace 49 existing plastic injection machines which have exceeded their expected life span. Therefore, we do not expect to increase any plastic component production capacity through the equipment upgrade.

We expect the time for our new manufacturing equipment to achieve a breakeven point and investment payback point to be the first half of 2020, when we consider the accumulated net profit generated from our new manufacturing equipment exceeds the costs of purchasing and operating such equipment, including incurred capital expenditures and ongoing cash and non-cash operating expenses. The forecast above is subject to a number of risks and uncertainties, including our inability to forecast the level of customer orders with certainty. See “Risk Factors – Risks Relating to Our Businesses – Our failure to successfully execute our equipment upgrade and capacity expansion plans may have a material adverse effect on the growth of our sales and earnings”.

CUSTOMERS

We primarily use our plastic injection moulds for our in-house manufacturing and, to a lesser extent, sell them to other overseas plastic component manufacturers. We primarily sell our plastic components to a large and diversified customer base from various industries, including producers of branded products. We have established strong relationships with many of the world’s leading manufacturers of electronic products, office furniture and home

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appliances as a result of our ability to offer high-quality products at competitive prices. Through the years, we have diversified our customer base, and, as of the Latest Practicable Date, our customers included Brother, Herman Miller, Canon and Panasonic. In addition, we primarily sell e-cigarette products to Fontem (and before June 2013, LOEC), the brand owner of “blu”.

For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, sales to our five largest customers accounted for 83.5%, 81.7%, 83.5%, 86.8% and 87.0% of our total revenue, respectively, and sales to our largest customer accounted for 42.2%, 32.6%, 45.1%, 43.8% and 44.2% of our total revenue, respectively. See “Risk Factors – Risks Relating to Our Businesses – We rely on a limited number of customers, and the loss of, or a significant reduction in, sales to any of these customers could materially and adversely affect our results of operations and financial condition”. We have maintained business relationships with our five largest customers for the eight months ended 31 August 2017 for over four years.

None of our Directors or their respective associates or our Shareholders who, to the best knowledge of our Directors, own more than 5% of the issued Shares of our Company, had any interest in our five largest customers during the Track Record Period. None of our five largest customers during the Track Record Period is connected to our Group.

The following table sets forth the details of our five largest customers for the periods indicated.

For the year ended 31 December 2014

Customer	Background	Nature of work	Revenue for the year	% of total revenue	Length of relationship with our Group as of the Latest Practicable Date
<i>(HK\$'000)</i>					
LOEC	the brand owner of “blu”	manufacturing of e-cigarette products and integrated plastic solutions	231,459	42.2%	2 years (til June 2015)

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Customer	Background	Nature of work	Revenue for the year	% of total revenue	Length of relationship with our Group as of the Latest Practicable Date
			<i>(HK\$'000)</i>		
Customer A	subsidiaries of an office electronic product manufacturing group listed in Japan; the revenue of the listed parent company amounted to over JPY500 billion for the year ended 31 March 2017	integrated plastic solutions	83,529	15.2%	7 years
Customer B	a PRC subsidiary of an acoustic system manufacturing group listed in Taiwan; the revenue of the listed parent company amounted to over NT\$5 billion for the year ended 31 December 2016	integrated plastic solutions	53,764	9.8%	13 years
Customer C	subsidiaries of a furniture manufacturing group listed in the United States; the net sales of the listed parent company amounted to over US\$2 billion for the year ended 28 May 2016	integrated plastic solutions	49,822	9.1%	7 years
Customer D	a PRC subsidiary of a home appliance manufacturing group listed in Japan and the United States; the net sales of the listed parent company amounted to over JPY3 trillion for the year ended 31 December 2016	integrated plastic solutions	39,745	7.2%	7 years

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For the year ended 31 December 2015

<u>Customer</u>	<u>Background</u>	<u>Nature of work</u>	<u>Revenue for the year</u>	<u>% of total revenue</u>	<u>Length of relationship with our Group as of the Latest Practicable Date</u>
			<i>(HK\$'000)</i>		
LOEC/Fontem	the brand owner of “blu”	manufacturing of e-cigarette products and integrated plastic solutions	130,630	32.6%	LOEC: 2 years, (til June 2015) Fontem: 2.5 years
Customer A	subsidiaries of an office electronic product manufacturing group listed in Japan; the revenue of the listed parent company amounted to over JPY500 billion for the year ended 31 March 2017	integrated plastic solutions	74,247	18.5%	8 years
Customer C	subsidiaries of a furniture manufacturing group listed in the United States; the net sales of the listed parent company amounted to over US\$2 billion for the year ended 28 May 2016	integrated plastic solutions	51,271	12.8%	8 years
Customer D	a PRC subsidiary of a home appliance manufacturing group listed in Japan and the United States; the net sales of the listed parent company amounted to over JPY3 trillion for the year ended 31 December 2016	integrated plastic solutions	35,805	8.9%	8 years
Customer B	a PRC subsidiary of an acoustic system manufacturing group listed in Taiwan; the revenue of the listed parent company amounted to over NT\$5 billion for the year ended 31 December 2016	integrated plastic solutions	35,735	8.9%	13 years

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For the year ended 31 December 2016

<u>Customer</u>	<u>Background</u>	<u>Nature of work</u>	<u>Revenue for the year</u>	<u>% of total revenue</u>	<u>Length of relationship with our Group as of the Latest Practicable Date</u>
			<i>(HK\$'000)</i>		
Fontem	the brand owner of “blu”	manufacturing of e-cigarette products and integrated plastic solutions	250,674	45.1%	2.5 years
Customer A	subsidiaries of an office electronic product manufacturing group listed in Japan; the revenue of the listed parent company amounted to over JPY500 billion for the year ended 31 March 2017	integrated plastic solutions	82,250	14.8%	8 years
Customer C	subsidiaries of a furniture manufacturing group listed in the United States; the net sales of the listed parent company amounted to over US\$2 billion for the year ended 28 May 2016	integrated plastic solutions	68,041	12.2%	8 years
Customer D	a PRC subsidiary of a home appliance manufacturing group listed in Japan and the United States; the net sales of the listed parent company amounted to over JPY3 trillion for the year ended 31 December 2016	integrated plastic solutions	33,941	6.1%	8 years
Customer E	a PRC subsidiary of a home appliance manufacturing group listed in Japan; the net sales of the listed parent company amounted to over JPY5 trillion for the year ended 31 March 2017	integrated plastic solutions	29,005	5.2%	10 years

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For the eight months ended 31 August 2016

<u>Customer</u>	<u>Background</u>	<u>Nature of work</u>	<u>Revenue for the year</u>	<u>% of total revenue</u>	<u>Length of relationship with our Group as of the Latest Practicable Date</u>
			<i>(HK\$'000)</i> <i>(unaudited)</i>		
Fontem	the brand owner of “blu”	manufacturing of e-cigarette products and integrated plastic solutions	154,587	43.8%	2.5 years
Customer A	subsidiaries of an office electronic product manufacturing group listed in Japan; the revenue of the listed parent company amounted to over JPY500 billion for the year ended 31 March 2017	integrated plastic solutions	58,020	16.4%	8 years
Customer C	subsidiaries of a furniture manufacturing group listed in the United States; the net sales of the listed parent company amounted to over US\$2 billion for the year ended 28 May 2016	integrated plastic solutions	44,164	12.5%	8 years
Customer D	a PRC subsidiary of a home appliance manufacturing group listed in Japan and the United States; the net sales of the listed parent company amounted to over JPY3 trillion for the year ended 31 December 2016	integrated plastic solutions	25,361	7.2%	8 years
Customer E	a PRC subsidiary of a home appliance manufacturing group listed in Japan; the net sales of the listed parent company amounted to over JPY5 trillion for the year ended 31 March 2017	integrated plastic solutions	24,636	7.0%	10 years

BUSINESS

For the eight months ended 31 August 2017

Customer	Background	Nature of work	Revenue for the year	% of total revenue	Length of relationship with our Group as of the Latest Practicable Date
<i>(HK\$'000)</i>					
Fontem	the brand owner of “blu”	manufacturing of e-cigarette products	161,158	44.2%	2.5 years
Customer A	subsidiaries of an office electronic product manufacturing group listed in Japan; the revenue of the listed parent company amounted to over JPY5 billion for the year ended 31 March 2017	integrated plastic solutions	54,090	14.8%	8 years
Customer C	subsidiaries of a furniture manufacturing group listed in the United States; the net sales of the listed parent company amounted to over US\$2 billion for the year ended 28 May 2016	integrated plastic solutions	51,336	14.1%	8 years
Customer E	a PRC subsidiary of a home appliance manufacturing group listed in Japan; the net sales of the listed parent company amounted to over JPY5 trillion for the year ended 31 March 2017	integrated plastic solutions	26,010	7.1%	10 years
Customer F	subsidiaries of a PRC-based leading electronic product manufacturer which was founded in April 2010 and focuses on the development of smart phone, internet television and smart home appliances	integrated plastic solutions	24,563	6.7%	5 years

Relationship with LOEC and Fontem

Since June 2013, we have manufactured e-cigarette products as an OEM under the brand name of “blu” for LOEC, the then brand owner of “blu”. In June 2015, LOEC was acquired by Imperial Tobacco and “blu” was subsequently operated by Imperial Tobacco’s subsidiary, Fontem. After such acquisition, our contract with LOEC was assigned to Fontem and we continued to manufacture e-cigarette products under the brand name of “blu” primarily for Fontem. Fontem is one of the leading e-cigarette brand owners and “blu” was the third largest e-cigarette brand worldwide with 4.2% global market share in 2016 in terms of sales value, according to the Frost & Sullivan Report.

We have established a stable relationship with Fontem since June 2015 and we plan to continue to strengthen this relationship. According to the Frost & Sullivan Report, we are one of the major plastic component suppliers of “blu”. For the year ended 31 December 2014, our sales to LOEC represented approximately 23.4% of its total cost of sales, based on the public available information that we can access to. However, the percentage of our sales to Fontem in its total cost of sales is not available since the total cost of sales of Fontem is not available to us.

In addition to e-cigarette products, we also sold a small number of plastic injection moulds to Fontem (before June 2015, LOEC) during the Track Record Period. For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, sales to Fontem, accounted for 42.2%, 32.6%, 45.1%, 43.8% and 44.2%, respectively, of our total revenue. Trade receivables from Fontem accounted for 3.1%, 11.9%, 18.8% and 19.4% of total trade receivables as of 31 December 2014, 2015 and 2016 and 31 August 2017, respectively. Average trade receivables turnover days for Fontem were two days, 15 days, 16 days and 20 days as of 31 December 2014, 2015 and 2016 and 31 August 2017, respectively.

On 1 June 2013, we entered into a manufacturing and supply agreement with LOEC, which was assigned to Fontem after Imperial Tobacco’s acquisition of LOEC in June 2015. Under this agreement, LOEC agrees to purchase from Tian Chang Industrial and Tian Chang Industrial will cause Tian Chang Shenzhen to manufacture e-cigarette products.

Upon the relocation to our new site in Huizhou, we entered into a new manufacturing and supply agreement (the “**Fontem Master Agreement**”) with Fontem US Inc., a group member of Fontem, the subsequent brand owner of “blu”, on 23 March 2017 as amended on 31 July 2017, to replace the previous manufacturing and supply agreement with LOEC. The Fontem Master Agreement largely succeeded the previous manufacturing and supply agreement and there were no material differences between the terms of the previous manufacturing and supply agreement with LOEC and that of the Fontem Master Agreement, except that Fontem requested us to maintain product liability insurance. Under the Fontem Master Agreement, Fontem agrees to purchase from Tian Chang Industrial and Tian Chang Industrial will cause Tian Chang Shenzhen and Tian Chang Huizhou to manufacture e-cigarette products in accordance with the terms and conditions of the Fontem Master Agreement. The material terms of the Fontem Master Agreement include:

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- **Term.** The Fontem Master Agreement has a term of three years and can be automatically extended for each successive year thereafter, with at least six-month prior written notice to terminate by either party.
- **Materials.** We will ensure that the raw materials and components used in manufacturing meet the specifications and requirements raised by Fontem.
- **Manufacturing.** Tian Chang Shenzhen and Tian Chang Huizhou must commence production in accordance with the specifications and requirements raised by Fontem in their respective facilities and must not subcontract any manufacturing works to third parties without Fontem's prior written consent. We may not make any changes to any product, including any changes in materials, assembly process or any deviation from the specifications, without Fontem's prior written consent.
- **Exclusivity.** We are prohibited from manufacturing and selling any product that, as determined by Fontem in its sole discretion, is similar to or competes against the products manufactured under the Fontem Master Agreement, unless expressly consented by Fontem in writing.
- **Price and Payment.** The price of the products will be specified in the orders Fontem places. Fontem will pay us by wire transfer within ten days after the receipt of the invoice we issue.
- **Orders.** Fontem will place orders on a monthly basis and provide us with a non-binding six-month forecast for our resource planning. We agree to deliver products within six weeks after the receipt of orders.
- **Insurance.** We must maintain product liability insurance policy with reputable insurers throughout the term of the Fontem Master Agreement plus 12 months. We are not obligated to insure beyond a maximum indemnity of US\$10 million. For details of the product liability insurance we maintained as requested by Fontem, see “– Insurance”.
- **Termination.** The Fontem Master Agreement may be terminated by either party due to the other party's breach of its terms and conditions and its failure to rectify its breach within a 30-day grace period.
- **Confidentiality.** We are subject to confidentiality obligations under the Fontem Master Agreement and may not publicly disclose details of the Fontem Master Agreement and commercially sensitive information without Fontem's prior written consent.

During the Track Record Period and up to the Latest Practicable Date, the previous manufacturing and supply agreement with LOEC and the Fontem Master Agreement had been complied in full in all material respects. There was no breach by either party during the Track Record Period and up to the Latest Practicable Date.

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Our Directors are of the view that the Group's reliance on Fontem would not impact our Group's suitability for Listing and that it is able to reduce its reliance on Fontem for the following reasons:

- (i) **Business model and revenue sustainability:** We primarily manufacture e-cigarette products as an OEM. Having accumulated experience and know-how, our Directors believe that the quality of our e-cigarette products are comparable to the products of our competitors. We are one of the major plastic component suppliers of "blu", according to the Frost & Sullivan Report. Our Directors are of the view that it would not be difficult for us to locate and engage new OEM customers who demand high quality e-cigarette products.
- (ii) **Mutually reliant relationship with Fontem:** Our Directors believe that an efficient and mutually beneficial and complementary working relationship has developed between Fontem and us. For example, in addition to our continuous cooperation with Fontem, we are in the process of negotiating a new cooperative development project with Fontem under which we will provide development, engineering and/or design services for Fontem for new products. Our Directors believe this has been a result of our consistent dedication to producing high quality products. We intend to reduce reliance on Fontem going forward, but we will also strive to maintain our mutually beneficial and complementary business relationship with Fontem.
- (iii) **Industry landscape:** We are well positioned in the e-cigarette manufacturing market in China, where strong growth is expected to be recorded. According to the Frost & Sullivan Report, the e-cigarette market size in China is expected to increase from RMB25.7 billion in 2017 to RMB54.0 billion in 2021, representing a CAGR of 20.3%. According to the Frost & Sullivan Report, in terms of revenue generated from e-cigarette manufacturing in 2016, we ranked sixth with 1.2% of total market share in China. Over our operating history, our Directors are of the view that we have built a good reputation for reliability, high quality products and dedicated customer services and we are fully prepared to take on new customers and explore new business opportunities for e-cigarette products that are not similar to what we manufactured for Fontem.
- (iv) **Transferable skills:** Our e-cigarette product manufacturing equipment was not specifically designed to cater solely for Fontem. In the unlikely event that we fail to secure new orders from Fontem, we shall be able to service new customers by allocating our production capacities expeditiously. The Directors are of the view that, provided that we have sufficient capacity, our existing manufacturing and production facilities, employees' skills and production skills can be readily transferred to serve other potential new customers and satisfy their needs.

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Relationship with Supplier L

In accordance with Fontem's requirements, we must procure certain raw materials or components from suppliers designated or approved by Fontem, such as procuring PCBA from designated suppliers such as Supplier L, a PRC-based electronic product manufacturer. On the other hand, Supplier L is required by Fontem to procure plastic components it needs for its own assembling from us through our integrated plastic solution services. Therefore, our purchase from and sales to Supplier L are largely determined by Fontem's demand for our products as well as products from Supplier L. The terms of transactions with Supplier L are similar to those transactions with our other customers, and our sales invoices to Supplier L are standardised invoices consistent with invoices with other major customers. Starting from May 2017, we also procure PCBA from another supplier approved by Fontem in addition to Supplier L.

Our Directors confirm that during the Track Record Period: (i) negotiations of the terms of our sales to and purchases from Supplier L were conducted in the ordinary course of business under normal commercial terms and on an arm's length basis; (ii) the sales to and purchases from Supplier L were neither inter-connected nor mutually conditional with each other; and (iii) none of the products we purchased from Supplier L was subsequently sold to Supplier L, nor vice versa.

The following table sets forth the total sales and total purchases attributable to Supplier L for the periods indicated:

	Year ended 31 December			Eight months ended 31 August	
	2014	2015	2016	2016	2017
				<i>(unaudited)</i>	
Sales to Supplier L					
Revenue (<i>HK\$'000</i>)	5,211	2,095	16,621	1,113	2,376
Percentage in our total revenue (%)	0.9	0.5	3.0	0.3	0.7
Purchase from Supplier L					
Purchases (<i>HK\$'000</i>)	–	31	9,914	7,165	2,927
Percentage in our total purchases (%)	–	0.1	3.5	3.9	1.7

Our sales to Supplier L increased by HK\$14.5 million, from HK\$2.1 million for the year ended 31 December 2015 to HK\$16.6 million for the year ended 31 December 2016, primarily due to Supplier L's increased demand in 2016 for our products such as clearomisers and other plastic components. Our purchases from Supplier L increased by HK\$9.9 million, from HK\$31,000 for the year ended 31 December 2015 to HK\$9.9 million for the year ended 31 December 2016, primarily due to our increased demand for its PCBA products in 2016 for new e-cigarette products which we began to produce for Fontem. Our purchases from Supplier L decreased for the eight months ended 31 August 2017, primarily due to our procurement of PCBA from another supplier approved by Fontem in addition to Supplier L starting from May 2017.

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SALES AND MARKETING

As of 31 August 2017, our sales and marketing team had 24 employees dedicated to the sales of integrated plastic solutions and three employees dedicated to the sales of e-cigarette products. Our sales and marketing employees are organised into customer-dedicated teams that are responsible for developing and supporting our relationships with each of our major customers. We used to pay certain sales staff commission equal to a certain percentage of their sales. We generally market and sell our products directly to our customers. During the Track Record Period, we did not sell our products through any other distribution channel.

The following table sets forth our revenue by geographic segment during the Track Record Period.

	Year ended 31 December						Eight months ended 31 August			
	2014		2015		2016		2016		2017	
	(HK\$'000)	% of total	(HK\$'000)	% of total	(HK\$'000)	% of total	(HK\$'000)	% of total	(HK\$'000)	% of total
	<i>(unaudited)</i>									
United States	232,656	42.4	133,274	33.2	209,353	37.7	145,192	41.1	122,150	33.5
PRC	216,442	39.4	180,278	44.9	173,785	31.3	117,793	33.3	107,541	29.5
United Kingdom	3,966	0.8	8,921	2.2	96,817	17.4	42,010	11.9	77,010	21.1
Hong Kong	87,405	15.9	68,813	17.2	65,836	11.9	41,494	11.7	53,381	14.7
Others	8,210	1.5	9,892	2.5	9,770	1.7	6,832	2.0	4,372	1.2
Total	548,679	100.0	401,178	100.0	555,561	100.0	353,321	100.0	364,454	100.0

We have a diversified customer base. We focus our marketing strategy on maintaining our relationships with our major customers, expanding the range of products they purchase and increasing the volume of orders they placed with us. From time to time, we also participate in exhibitions and tradeshows to promote our brand and our products. Our Directors believe that our existing sales and marketing efforts are sufficient to maintain relationships with existing customers and attract potential customers. Therefore, we did not and, for the near term, have no plan to carry out any significant marketing activities such as mass advertisement.

Pricing

We generally prepare our quotation based on our estimated costs to be incurred plus a mark-up margin. We generally determine the mark-up by taking into account technical complexity, business risks, market competition, customer relationships, business potential with the customer and purchase volume of the particular purchase order. During the Track Record Period, we did not provide any rebate or discount to our customers. Our sales contracts are generally denominated in U.S. dollars, Renminbi or Hong Kong dollars. Leveraging our technical expertise and service quality, we were able to negotiate a relatively stable mark-up margin during the Track Record Period. For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, our gross profit margin was 25.7%, 24.2%, 23.1%, 22.6% and 22.7%, respectively.

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Credit Control

The credit terms we offer to our customers vary. We generally determine the credit term by taking into account the customer's credibility, industry practice, purchase volume, relationships with the customer as well as general market conditions.

For our mould fabrication, we generally require our customers to pay 40% of the total fee as deposit when the purchase order is placed and pay another 30% of the total fee when the moulds have been fabricated and are ready for initial testing and inspection. We generally require the remaining balance to be paid after the moulds have passed inspection and examination and before final delivery of the moulds. For plastic components we manufacture, we generally invoice our customers in full upon delivery of the ordered products. We generally offer a credit period of up to 180 days to our customers.

For our manufacturing of e-cigarette products, we typically invoice Fontem in full upon delivery of the ordered products. We did not offer any credit period before March 2017 and generally offered a credit period of 10 days to Fontem thereafter.

Seasonality

Our sales volume has historically been affected by seasonality. Our sales in the first quarter of any year are generally affected by the occurrence of the Chinese New Year holiday during which industrial activity in the PRC is normally lower than that at other times. As a result, we recorded lower revenue in the first quarter of the year than that at other times of the year in each of the years during the Track Record Period.

QUALITY CONTROL

Our Directors believe that our results and hence our profits depend on our capability and commitment to fulfil our customers' requirements. In pursuit of quality excellence, we have established our quality management system, consisting of over 100 members to focus on quality assurance and quality planning covering all aspects at product quality and reliability. We also hold monthly meetings internally to review, evaluate and exam the performance of different departments and identify opportunities for improvement. We employ quality control procedures at each stage of our manufacturing process in accordance with customers' specifications in compliance with ISO9001 quality management standards to ensure the consistency of our product quality and compliance with internal production benchmark as well as our customers' requirements. In addition, we have also received awards from certain major customers such as Panasonic and Brother for the quality of our products.

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With respect to our integrated plastic solutions, quality consistency is critical to our customers. To monitor our product quality, customers of our integrated plastic solutions generally inspect our manufacturing sites every year. Certain customers send their quality control staff to work on-site in our manufacturing site work with our staff together during the manufacturing process. In addition, to assure our products meet with customers' requirements, our customers' representatives inspect each batch of our finished products before delivery. In addition, Fontem (before June 2015, LOEC) also inspects our manufacturing site periodically. Our quality management system is carried out throughout our work process from the material procurement stage to the completion stage to ensure our products and services meet the standards and specifications required by our customers:

- *General management:* We have established a comprehensive quality control system including objective, key performance indicators, internal quality control policy as well as implemental measures for our staff to follow.
- *Order review stage:* We review our customers' requirements on quality, delivery timetable and prices before we take customer orders.
- *Material procurement stage:* Generally, we only procure materials and components from suppliers specified by our customers, or suppliers on our approved list. We generally take into account suppliers' historical performance, credentials in the industry and their capability to meet our customers' requirements. We also inspect our suppliers' factories periodically. Our inspection team, normally led by our quality control staff, audits our suppliers' manufacturing process and inspects their raw material, work-in-progress products and finished products. We also send quality control staff to work on-site in our suppliers' factories to monitor our suppliers' performance.
- *Pre-manufacturing stage:* For our plastic injection moulds, the final 2D and 3D design diagram must be approved by our customers before mould fabrication to ensure that we have taken into account all customers' specifications. Generally, our customers require us to produce a small batch of sample products for their approval for mass production.
- *Manufacturing stage:*
 - *Plastic injection moulds:* Every mould we fabricate is examined, inspected and tested in accordance with our quality assurance protocols. Our technical staff inspects the mould core, cavity inserts and related subparts in accordance with designs and specifications approved by our customers. Subsequently, we conduct the validation test by installing the mould on actual moulding press and simulate the plastic injection environment, including the temperature, clamp force, injection pressure and production cycle time.

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- Plastic components: Our quality assurance team carries out frequent and periodic inspections throughout our manufacturing process either on a random sampling basis or on full inspection basis, in accordance with our customers' requirements. Our inspection parameters include appearance, structure, size and reliability.
- E-cigarette products: Similar to integrated plastic solutions, Fontem approves our 2D and 3D designs as well as the validation test. Fontem has established a set of internal standard to monitor the quality consistency of our finished products, which consists of detailed product specifications, testing protocol, inspection criteria and sample retention for traceability. Throughout our manufacturing process, our quality assurance team performs periodic inspections on our components, work-in-progress products and finished products, covering functionality, dimensions, weight, surface finishing, labelling, identification, packaging and traceability, to assure the compliance with the required standards and protocol.
- Pre-delivery stage: In addition to all quality assurance measures prior to delivery stage, we also perform final quality inspection on our products before deliver to our warehouse. Subsequently, quality control staff sent by our customers inspects our finished products on-site. This is applicable to both plastic components and e-cigarette products.
- Post-delivery stage: Our marketing team maintains close communication with our customers to better understand our customers' requirements and collect market quality update. Our quality assurance team also studies our customers' requirements to identify opportunities for quality improvement.

Depending on our customers' request, we also send certain finished products, such as plastic components for automobiles to third party test centres for quality inspection.

During the Track Record Period and up to the Latest Practicable Date, we had not received any complaint or request for compensation from our customers due to material quality issues in relation to our works and products.

Product Returns

In line with industry practice, we do not provide any product warranty term. During the Track Record Period, circumstances giving rise to return on sales generally related to minor defects. For plastic injection moulds, we either deploy a team to modify or repair the defective moulds. If the defect is caused by our subcontractors, we generally require such subcontractors to rectify such defect. For plastic components and e-cigarette products, we would produce new batches for our customers at our cost. During the Track Record Period, the costs of such modification and reproduction of products had not had a material adverse effect on our business, results of operations and financial condition.

Starting from March 2017, we maintain the product liability insurance policy with a reputable international insurance company in accordance with Fontem's requirements under the Fontem Master Agreement, for the product liabilities arising from or associated with the e-cigarette product we sold to Fontem. The maximum liability under the product liability insurance policy is US\$10 million. In line with industry norms, we do not maintain product liability insurance for plastic injection moulds we fabricated and plastic components we manufactured.

We had not experienced any material litigation, claims, return on sales, recalls, reworks, or repairs from our customers during the Track Record Period and up to the Latest Practicable Date. Our returns on sales were 0.5%, 0.3%, 0.4%, 0.2% and 0.5%, respectively, of our total sales for the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, respectively.

PROCUREMENT

Depending on the requirements of our customers, we are generally responsible for purchasing materials and components for our manufacturing. Our procurement department sources raw materials and components, invites quotations, conducts price evaluation and negotiation, undertakes procurement of materials and equipment, and allocates resources and aligns demands for our manufacturing. We also employ our ERP system to manage our raw materials and control the cost. This ERP system enables us to make bulk purchases in order to achieve cost savings, and to coordinate the allocation of our existing resources among different sites in order to maximise utilisation of resources.

Pursuant to our contracts with our customers, some customers require us to procure certain raw materials or components from designated suppliers. For example, Fontem requires us to procure PCBA and e-liquid bottles from designated suppliers; and our customer, Brother, normally requires us to procure plastic resins from a well-recognised Japan-based plastic resin supplier. However, the commercial terms for procurement, including the price and payment, will be negotiated by the designated supplier and us. Unless our customers require us to engage suppliers designated by them, we select our suppliers from our approved list of suppliers based on their past performances and their capability to comply with the specified requirements. Only listed suppliers are invited to submit quotations. Generally, we have more than one supplier as

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our candidates for the same material. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any difficulty in material procurement. Therefore, our Directors believe we do not overly rely on any of our suppliers and we are able to engage alternative suppliers if necessary.

Proposed materials, together with actual samples, if requested, will be approved by the customer prior to order. Generally, our suppliers that we have long-term relationship with settle the balance with us on a monthly basis. Occasionally, we pay our new suppliers in full before they deliver raw materials or components we ordered. We generally pay our suppliers by way of wire transfer. Our procurements are primarily denominated in U.S. dollars and Renminbi. We have maintained good working relationships with our suppliers and, barring unforeseeable circumstances, do not foresee any difficulties in sourcing materials in the future.

Our major customers with which we have developed long-term relationships provide us with periodic forecasts of their needs on a regular basis, which enables us to better anticipate our raw material needs. We generally procure the required raw materials based on their periodic forecast. For new customers, we only procure raw materials and components upon their confirmation of their purchase orders. Therefore, we believe we are able to maintain our raw materials inventory at a manageable level.

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

We regularly and periodically review and adjust the standard cost used in preparing quotations to customers to reflect material fluctuations in the cost of raw materials and components. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material fluctuation in prices of our major raw materials and components.

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SUPPLIERS

For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, purchases from our five largest suppliers represented 50.8%, 51.5%, 44.0%, 45.0% and 48.8%, respectively, and purchases from our largest supplier represented 17.4%, 20.3%, 18.3%, 19.3% and 18.5%, respectively, of our total purchases.

None of our Directors or their respective associates or our Shareholders who, to the best knowledge of our Directors, own more than 5% of the issued Shares of our Company had any interest in our five largest suppliers during the Track Record Period. None of our five largest suppliers during the Track Record Period is connected to our Group.

The following table sets forth details of our five largest suppliers during the Track Record Period.

For the year ended 31 December 2014

Supplier	Background	Materials/ components provided	Purchase for the year	% of Latest the total purchases	Length of relationship with our Group as of Latest Practicable Date
<i>(HK\$'000)</i>					
Supplier A	a Hong Kong subsidiary of a Japan-based distributor of plastic materials	plastic materials	42,748	17.4%	7 years
Supplier B	a PRC-based manufacturer of electronic products	batteries for e-cigarette products	34,181	13.9%	4 years
Supplier C	a PRC-based manufacturer of electronic products	batteries for e-cigarette products	24,451	9.9%	2 years
Supplier D	a PRC-based manufacturer of electronic products	electronic materials for e-cigarette products	13,543	5.5%	3 years
Supplier E	a PRC-based manufacturer of plastic and other new materials	plastic materials	10,179	4.1%	9 years

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For the year ended 31 December 2015

Supplier	Background	Materials/ components provided	Purchase for the year	% of the total purchases	Length of relationship with our Group as of Latest Practicable Date
<i>(HK\$'000)</i>					
Supplier B	a PRC-based manufacturer of electronic products	batteries for e-cigarette products	36,819	20.3%	4 years
Supplier A	a Hong Kong subsidiary of a Japan-based distributor of plastic materials	plastic materials	33,146	18.3%	7 years
Supplier F	a PRC-based manufacturer of electronic products	electronic materials for e-cigarette products	8,290	4.6%	2 years
Supplier G	a Hong Kong based printing service provider	printing materials	7,806	4.3%	2 years
Supplier H	a Hong Kong subsidiary of a Japan-based distributor of plastic materials	plastic materials	7,223	4.0%	8 years

For the year ended 31 December 2016

Supplier	Background	Materials/ components provided	Purchase for the year	% of the total purchases	Length of relationship with our Group as of the Latest Practicable Date
<i>(HK\$'000)</i>					
Supplier B	a PRC-based manufacturer of electronic products	batteries for e-cigarette products	51,389	18.3%	4 years
Supplier A	a Hong Kong subsidiary of a Japan-based distributor of plastic materials	plastic materials	28,893	10.3%	7 years

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Supplier	Background	Materials/ components provided	Purchase for the year	% of the total purchases	Length of relationship with our Group as of the Latest Practicable Date
			<i>(HK\$'000)</i>		
Supplier I	a PRC-based manufacturer of electronic products	electronic materials for e-cigarette products	17,439	6.2%	3 years
Supplier G	a Hong Kong based printing service provider	printing materials	13,636	4.9%	2 years
Supplier E	a PRC-based manufacturer of plastic and other new materials	plastic materials	12,408	4.4%	9 years

For the eight months ended 31 August 2016

Supplier	Background	Materials/ components provided	Purchase for the year	% of the total purchases	Length of relationship with our Group as of the Latest Practicable Date
			<i>(HK\$'000)</i>		
Supplier B	a PRC-based manufacturer of electronic products	batteries for e-cigarette products	35,190	19.3%	4 years
Supplier A	a Hong Kong subsidiary of a Japan-based distributor of plastic materials	plastic materials	19,522	10.7%	7 years
Supplier I	a PRC-based manufacturer of electronic products	electronic materials for e-cigarette products	11,147	6.1%	3 years
Supplier G	a Hong Kong based printing service provider	printing materials	9,136	5.0%	2 years
Supplier L	a PRC-based electronic product manufacturer	PCBA	7,165	3.9%	2 years

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For the eight months ended 31 August 2017

Supplier	Background	Materials/ components provided	Purchase for the year	% of the total purchases	Length of relationship with our Group as of the Latest Practicable Date
			(HK\$'000)		
Supplier B	a PRC-based manufacturer of electronic products	batteries for e-cigarette products	31,068	18.5%	4 years
Supplier A	a Hong Kong subsidiary of a Japan-based distributor of plastic materials	plastic materials	20,713	12.4%	7 years
Supplier E	a PRC-based manufacturer of plastic and other new materials	plastic materials	14,723	8.8%	9 years
Supplier H	a Hong Kong subsidiary of a Japan-based distributor of plastic materials	plastic materials	7,925	4.7%	8 years
Supplier I	a PRC-based manufacturer of electronic products	electronic materials for e-cigarette products	7,284	4.3%	3 years

Raw Materials and Components for Integrated Plastic Solutions

The principal raw materials and components for our plastic injection mould fabrication include mould base and steel. During the Track Record Period, we primarily sourced our key raw materials and components for the fabrication of plastic injection moulds from manufacturers from Sweden, Germany and China. The principal raw materials for our plastic component manufacturing include plastic resins. During the Track Record Period, we primarily sourced our key raw materials for plastic components manufacturers from Taiwan, Japan, Thailand, the United States and China.

Raw Materials and Components for the Manufacturing of E-cigarette Product

The principal raw materials and components for our manufacturing of e-cigarette products include plastic resins, e-liquid, PCBA and steel. During the Track Record Period, we primarily sourced our key raw materials and components for the manufacturing of e-cigarette products from the United States, Hong Kong, Japan and China.

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Sensitivity Analysis

The following table sets forth a sensitivity analysis of raw material cost.

	Increase/ decrease by 5%	Increase/ decrease by 10%	Increase/ decrease by 15%
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Impact on gross profit			
Year ended 31 December 2014	±12,900	±25,800	±38,701
Year ended 31 December 2015	±8,348	±16,696	±25,044
Year ended 31 December 2016	±13,042	±26,085	±39,128
Eight months ended 31 August 2016	±7,921	±15,841	±23,762
Eight months ended 31 August 2017	±9,033	±18,067	±27,101

Subcontracting

Depending on the complexity of the moulds and our production capacity, we may sometimes subcontract the fabrication of less technically complicated moulds to our subcontractors. For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, our subcontracting expenses were HK\$3.2 million, HK\$11.0 million, HK\$18.6 million, HK\$15.2 million and HK\$2.5 million, respectively.

Our Arrangements with Subcontractors

We do not enter into long-term contracts with our subcontractors. Nevertheless, we maintain long-standing working relationships with them. We generally place purchase orders when a subcontractor is engaged. The terms contained in the purchase order generally contain terms with respect to the subcontracting works, the delivery time, the subcontracting costs and payment terms. Since our primary business also includes mould fabrication, we are familiar with the fabrication cost as well as the market price. Therefore, we are able to negotiate with our subcontractors and seek to control the subcontracting cost at a reasonable level.

Generally, we pay our subcontractors in installment, with up to 50% of the total subcontracting fee as deposit when we place the order.

Our Relationships with Subcontractors

We select subcontractors based on a number of parameters including the technical requirements of the work, previous cooperation experience and our evaluation of their historical performance. As of the Latest Practicable Date, we had ten subcontractors, which had an average of over four years of working relationship with us. The long-standing relationship with subcontractors enables us to comprehensively assess our subcontractors over the years so as to better control the quality and schedule of works in the long run. During the Track Record Period, we did not experience any difficulties in finding suitable subcontractors and our Directors do not foresee any difficulties in finding substitute subcontractors should that become necessary.

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Unless the customers require us to engage subcontractors nominated by them, we will select subcontractors from our approved list of subcontractors.

Except for Fast Precision Huizhou, our subcontractors are Independent Third Parties. For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, subcontracting expenses paid to Fast Precision Huizhou were nil, HK\$7.3 million, HK\$13.9 million, HK\$13.1 million and HK\$1.3 million, respectively. Our subcontractors are neither our employees nor agents, and we are not a party to the employment arrangement between our subcontractors and their employees.

Subcontracting Quality Control

We generally require subcontractors to rectify all defects in their works after product delivery. In order to manage the progress and quality of work conducted by our subcontractors, we typically engage subcontractors with whom we have cooperated for years. Our quality control staff conducts regular review on work progress with the appointed subcontractors.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any delayed performance by our subcontractors and we had not received any material claims or complaints from our customers for substandard work of our subcontractors.

INVENTORY CONTROL

Our inventories primarily consist of raw materials, work-in-progress and finished products. For our plastic injection mould fabrication, we maintain a limited number of finished products in our warehouse as most finished products are delivered for our in-house plastic injection moulding manufacturing, or directly to our customers after the completion of a project. For our plastic injection moulds and the manufacturing of e-cigarette products, we keep our finished products in our warehouses before delivery, which normally takes place within 14 days after we complete manufacturing.

As of 31 December 2014, 2015 and 2016 and 31 August 2017, our inventory turnover days were approximately 27 days, 43 days, 47 days and 51 days, respectively. See “Financial Information – Analysis of Financial Position – Inventories”.

RESEARCH AND DEVELOPMENT



We have accumulated technical expertise in plastic injection moulds fabrication, plastic components manufacturing and the manufacturing of e-cigarette products. As of 31 August 2017, we had a research and development team consisting of 11 members focusing on technical improvement on plastic injection moulds fabrication and plastic components manufacturing. We also have a research and development team with six members focusing on technical innovation on e-cigarette product manufacturing, as well as the development of innovative electronic products. More than half of the members of our research and development team have college degrees or above. Our research and development costs, primarily consist of our

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research and development staff cost and research and development equipment expenses, were HK\$1.4 million, HK\$1.2 million, HK\$2.4 million, HK\$1.4 million and HK\$2.0 million, respectively, for the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017.

Our research and development team works closely with our customers and provides technical advice and solutions for their product design. In addition, our research and development team devoted significant efforts to developing new products. For example, together with KOOFY Development Limited, we have successfully developed the electric one-wheel self-balancing skateboards, Surfwheel. We expect to commence mass production in the second quarter of 2018. Our research and development team will, on an ongoing basis, seek to research, develop and commercialise technical innovations to be applied in our products and technical improvements to meet our customers' request and also to better reduce our costs as well as developing new products or materials. We are in the process of exploring more solutions utilising new PET and we plan to obtain relevant certificate for the manufacturing of disposable plastic medical consumables utilising our plastic manufacturing lines and Class 10,000 clean rooms in compliance with ISO14644.

INTELLECTUAL PROPERTY

We have been conducting our business in Hong Kong and the PRC using “Tian Chang,” “Sun Leader”, “天長” and “新利達” as our brand names. As of the Latest Practicable Date, we had two trademarks in Hong Kong and had applied for three trademarks in the PRC that are material in relation to our business, including our brand  and . See “Appendix VI – Statutory and General Information” to this Prospectus. Our business or profitability is not dependent on any patent or licence or other intellectual property rights.

We also rely on a combination of trade secrets and employee confidentiality agreements to safeguard our intellectual property. Our research and development employees have entered into agreements to assign us all inventions, designs and technologies that they develop during the terms of their employment with us.

As of the Latest Practicable Date, we had not engaged in, and were not aware of, any litigation or legal proceedings for violation of intellectual property rights or any material violation.

COMPETITION**Integrated Plastic Solutions**

The plastic injection mould fabrication and plastic injection moulding industry in China is highly fragmented. According to the Frost & Sullivan Report, there were approximately 20,000 market participants principally engaged in this industry in 2016. In terms of revenue generated from plastic injection mould fabrication and plastic component manufacturing in 2016, we had a market share of 0.1% in the plastic injection mould fabrication and plastic injection moulding market in China while the five largest industry players accounted for 4.4% of the market share in China, according to the Frost & Sullivan Report. As such, we compete with other PRC-based one-stop plastic solution service providers as well as PRC-based companies either engaged in plastic injection mould fabrication or plastic component manufacturing.

We believe the major barriers to entry for the plastic injection mould fabrication and plastic injection moulding industry in China include high capital investment, technical know-how and expertise and product efficiency and service level. See “Industry Overview – Competitive Landscape in Plastic Mould Fabrication and Plastic Component Manufacturing Market in China”.

Manufacturing of E-cigarette Products

The e-cigarette industry in China is fragmented and competitive. According to the Frost & Sullivan Report, there were approximately 1,000 e-cigarette manufacturers in China in June 2017. In terms of revenue generated from e-cigarette manufacturing in 2016, we ranked sixth with 1.2% of total market share in China while the other nine largest market players accounted for 15.7% of total market share in China, according to the Frost & Sullivan Report. As such, we compete with other reputable e-cigarette manufacturers in China.

We believe the major barriers to entry for the e-cigarette manufacturing industry in China include access to raw materials, long-established relationship with customers and compliance with changing regulatory standards. See “Industry Overview – Competitive Landscape of E-cigarette Market in China”.

MATERIAL LICENSE, PERMIT AND APPROVAL

During the Track Record Period and up to the Latest Practicable Date, except the pollutant discharge permit and the acceptance of environmental protection facilities Tian Chang Shenzhen failed to obtain as discussed in “– Environmental and Safety Regulations Compliance – Environment”, we have obtained all material requisite licenses, permits and approvals for our operations in the PRC.

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AWARDS, CERTIFICATIONS AND QUALIFICATIONS

During the Track Record Period, we have received a number of awards and certifications. The following table sets forth certain awards and certifications we have received from independent entities.

Entity	Awards/Certificate	Awarded by	Year
Tian Chang Shenzhen	The Top 100 Tax Payer	The Management Committee of Guangming New District of Shenzhen City	2015
Tian Chang Huizhou	ISO9001:2015	TÜV Rheinland (Guangdong) Ltd.	2017 (expiring in September 2020)
Sun Leader Huizhou	ISO9001:2015	TÜV Rheinland (Guangdong) Ltd.	2017 (expiring in September 2020)
Sun Leader Shenzhen	ISO14001:2004 + Cor. 1:2009	TÜV Rheinland Cert GmbH	2015 (expiring in September 2018)
Tian Chang Shenzhen	ISO14001:2004 + Cor. 1:2009	TÜV Rheinland Cert GmbH	2015 (expiring in September 2018)
Tian Chang Shenzhen	Bureau Veritas Certificate (SA8000:2008)	Social Accountability Accreditation Services	2015 (expiring in July 2018)
Tian Chang Huizhou	Bureau Veritas Certification (SA8000:2014)	Social Accountability Accreditation Services	2017 (expiring in June 2020)
Tian Chang Industrial/ Tian Chang (Huizhou)	Hazard Analysis Critical Control Point (HACCP) Management System	Accredited Certification International Limited	2016 (expiring in December 2019)

The following table sets forth certain awards we have received from our customers.

Entity	Awards/Certificate	Awarded by	Year
Tian Chang Industrial	Contribution Award	Brother	2013
Tian Chang (Shenzhen)	Quality Improvement Progress Award	Guangzhou Panasonic Air Conditioner Company Limited (廣州松下空調有限公司)	2015

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PROPERTIES

Our Owned Properties

As of the Latest Practicable Date, we owned two parcels of land with a total site area of approximately 162,830.4 sq.m. and 14 buildings with a total GFA of approximately 125,751.0 sq.m. in Huizhou, Guangdong province, being phase I of our new site in Huizhou, the PRC. Our owned properties are primarily used by Tian Chang Huizhou and Sun Leader Huizhou for manufacturing sites, storage, offices, dormitories and auxiliary facilities. See “– Production Facilities and Production Capacity – Production Facilities”.

The following table sets forth details of our owned properties.

<u>Owned properties</u>	<u>Site area</u>	<u>GFA</u>	<u>Registered owners</u>
	<i>(sq.m.)</i>	<i>(sq.m.)</i>	
No. 2, Xingye Road East, Dong River High-Tech Industrial Zone, Zhongkai High-Tech District, Huizhou, Guangdong province, the PRC	66,831.9	33,857.87	Sun Leader Huizhou
No. 2, Xingde Road East, Dong River High-Tech Industrial Zone, Zhongkai High-Tech District, Huizhou, Guangdong province, the PRC	95,998.5	91,893.09	Tian Chang Huizhou

As of the Latest Practicable Date, the land use rights of the abovementioned two parcels of land and our owned properties with a GFA of approximately 125,751.0 sq.m. have been mortgaged under credit agreements.

In addition, we commenced the construction of phase II of our new site in Huizhou, with a total planned GFA of 31,853.0 sq.m., in December 2016, which we expect to complete by February 2018. And we expect to complete the leasehold improvement of phase II of our new site in the first half of 2018.

Our Leased Properties

As of the Latest Practicable Date, we have also leased four properties with a total GFA of approximately 41,648 sq.m. in Shenzhen, the PRC and one property with a saleable area of approximately 1,776 sq.ft. in Hong Kong.

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Our leased properties in Shenzhen, the PRC are primarily used by Tian Chang Shenzhen and Sun Leader Shenzhen for manufacturing. See “– Production Facilities and Production Capacity – Production Facilities”. Up to the Latest Practicable Date, substantially all of our manufacturing equipment in operation has been relocated to our new site in Huizhou and we only manufacture a small number of products in our manufacturing site in Shenzhen. The lease agreements for our leased properties in Shenzhen will expire in 2019. Our management has reached agreements with the landlord to terminate the lease agreements in February 2018 and relocate all of our remaining equipment in Shenzhen to our new site in Huizhou. According to our termination agreements with the landlord, we are obligated to pay the landlord a total of approximately RMB1.2 million as early termination fee, which our Directors believe is immaterial to our business and results of operations.

Our leased property in Hong Kong is primarily used as our office. The use of our leased property in Hong Kong as office may constitute a breach of the relevant occupation permit, which states that such property shall be for industrial purpose only. See “– Regulatory Compliance and Legal Proceedings – Regulatory Compliance”.

We also leased a portion of our manufacturing site in Huizhou, with a total GFA of 3,592 sq.m., to Fast Precision Huizhou, a related party to our Company for a term of two years.

As of the Latest Practicable Date, we have not been subject to any material claims arising from or in connection with any defect in our leasehold interest in any of our leased properties.

EMPLOYEES

As of 31 August 2017, we employed 1,597 employees, 1,526 of whom were full-time salaried employees. The number of our full-time salaried employees as of 31 August 2017 classified by function is as follows.

Functions	Number of employees as of 31 August 2017	% of total
Manufacture	1,074	70.4
Engineering/design	34	2.2
Administrative	121	7.9
Sales and marketing	27	1.8
Research and development	17	1.1
Quality control	117	7.7
Finance and accounting	39	2.6
Others	97	6.3
Total	1,526	100.0

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The following table sets forth the number of our full-time employees as of 31 August 2017 classified by location.

<u>Location</u>	<u>Number of employees as of 31 August 2017</u>	<u>% of total</u>
PRC	1,508	98.8
Hong Kong	18	1.2
Total	1,526	100.0

We believe that we maintain good relationships with our employees. We had not experienced any material industrial action, work stoppages or labour disputes during the Track Record Period and up to the Latest Practicable Date.

We view recruiting, training and retaining skilled employees as an important element of our business. We offer training programmes to our employees, which are designed to develop the skills that we need to meet our enterprise goals and customer requirements, and to meet certain training requirements such as mandated customer or regulatory requirements and contractual obligations. Our PRC full-time salaried employees also participate in the mandatory social security funds that provide for pension insurance, medical insurance, unemployment insurance and housing funds in accordance with PRC laws. Historically, we failed to fully pay certain social insurance and housing provident contributions. See “– Regulatory Compliance and Legal Proceedings – Regulatory Compliance – Non-compliance matter”. Our full-time salaried employees in Hong Kong participate in the mandatory provident fund in accordance with Hong Kong laws.

Labour Dispatch Arrangement

We rely primarily on our own workforce for our business operations. We also engage labour dispatch providers for support functions such as security, cleaning, transportation and canteen services. During the Track Record Period, we engaged one labour dispatch provider.

Principal terms of labour dispatch agreements

Our PRC operating subsidiary Tian Chang Huizhou enters into labour dispatch agreements with our labour dispatch provider. Set forth below are certain key terms of our agreements with our labour dispatch provider in the PRC.

- *Term.* The labour dispatch agreements generally have a term ranging from one year to three years.

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- *Scope of work.* The labour dispatch provider will dispatch workers in accordance with our requirements. During the Track Record Period, the dispatched workers were assigned primarily to perform support functions such as security, cleaning, transportation and canteen services.
- *Labour dispatch fees.* The labour dispatch agreements specify labour dispatch fees, which range from RMB80 to RMB110 per worker per month payable to the dispatched workers, depending on the number of workers dispatched.
- *Settlement.* Compensation to the dispatched workers and the labour dispatchment service fee are paid in a lump sum to the labour dispatch provider on a monthly basis. The payment method can be by cheque or wire transfer. The labour dispatch provider is obligated to make relevant social insurance contributions for the dispatched workers, and will be liable for failure to make full payment in a timely manner.
- *Responsibility of workplace safety.* We are responsible for providing safety technical training and necessary protective gear to the dispatched workers.
- *Termination.* The labour dispatch agreements can be terminated by either party due to the other party's breaches of terms and conditions of the agreements.

We did not have any dispatched workers as of 31 December 2014, 2015 and 2016. Dispatched workers represented approximately 4.4% of our entire workforce as of 31 August 2017, respectively. We are not aware of any material labour dispute arising from our retention of dispatched workers during the Track Record Period.

As advised by our PRC Legal Advisers, our labour dispatch provider is qualified to provide labour dispatch service under relevant PRC laws and regulations.

INSURANCE

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

Historically, we did not maintain product liability insurance since it is not required by PRC law and we believed it to be consistent with industry practice. Starting from March 2017, we maintain a product liability insurance policy with a reputable international insurance company in accordance with Fontem's requirements under the Fontem Master Agreement, for the product liabilities arising from or associated with the e-cigarette products we sold to Fontem. The maximum liability under the product liability insurance policy is US\$10 million.

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We did not incur any costs under the product liability insurance policy during the Track Record Period and we paid the product liability insurance premium in June 2017 for the product liability insurance policy covering our e-cigarette products from April 2017 to April 2018 the amount of which our Directors believe is insignificant. In line with industry norms, we do not maintain product liability insurance for our plastic injection moulds and plastic components.

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

TAXATION

During the Track Record Period, we were not subject to any preferential tax treatment or tax benefit in the PRC and Hong Kong. The following table sets forth the effective tax rate of our Group by geographic region during the Track Record Period.

	Year ended 31 December			Eight months ended 31 August	
	2014	2015	2016	2016	2017
			(%)		
				(unaudited)	
PRC Subsidiaries	26.2	27.5	27.2	26.6	25.8
HK Subsidiaries	20.9	20.6	19.4	19.7	— ⁽¹⁾
Consolidated	25.1	25.0	24.8	24.0	66.6

Note:

- (1) Our HK Subsidiaries recorded loss before tax for the eight months ended 31 August 2017 primarily due to the listing expenses incurred by our HK Subsidiaries. Taxable profit was reported by HK Subsidiaries upon adding back the listing expenses and other non-deductable expenses.

See “Financial Information – Description of Selected Income Statement Line Items – Income Tax Expenses”.

Transfer Pricing Arrangement

During the Track Record Period, we conducted our operations mainly in the PRC and Hong Kong and had transactions with customers and suppliers in different countries. We primarily conducted our sales activities through either our PRC Subsidiaries or HK subsidiaries during the Track Record Period, while all finished goods were manufactured by our PRC Subsidiaries. We have engaged RSM Tax Advisory (Hong Kong) Limited (“RSM”) to review our transfer pricing arrangements so as to evaluate our compliance with the applicable transfer pricing guidelines and the potential tax implications on us during the Track Record Period.

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RSM has performed a transfer pricing study to assess if the arm's length principle is observed in respect of the related-party transactions conducted between our HK Subsidiaries and PRC Subsidiaries during the Track Record Period. RSM applied the transactional net margin method and the operating margin (gross profit less administrative expenses and selling expenses, divided by revenue) was selected by RSM as the appropriate profit level indicator. The profit level indicator was chosen taking into consideration the functions and risks of the companies involved.

RSM considered both the weighted average of operating margins of Tian Chang Shenzhen (6.34%) and Tian Chang Huizhou (5.09%) during the Track Record Period to be comparable to that of the short-listed seven comparable companies located in Singapore, India, China and the United States that manufacture and trade e-cigarettes, moulds and plastic products (between 2.84% and 7.00%), and concluded that the above intra-group transactions conducted by Tian Chang Shenzhen and Tian Chang Huizhou during the Track Record Period were on an arm's length basis and were not in breach of the arm's length principle from a PRC transfer pricing perspective.

RSM considered both the weighted average of operating margin of Sun Leader Shenzhen (4.27%) and Sun Leader Huizhou (5.42%) during the Track Record Period to be comparable to that of the short-listed six comparable companies located in Singapore, India and Malaysia that manufacture and trade moulds and plastic components (between 3.36% and 7.33%), and concluded that the above intra-Group transactions conducted by Sun Leader Shenzhen and Sun Leader Huizhou during the Track Record Period were on an arm's length basis and were not in breach of the arm's length principle from a PRC transfer pricing perspective.

Our Directors are of the view that there was no change in the bases of our Group's intra-group transfer prices during the Track Record Period. Taking into account (i) relevant laws and regulations relating to taxation as set out in the relevant sections under "Regulatory Overview" in this Prospectus, (ii) the operating margins of our PRC Subsidiaries during the Track Record Period falling within the arm's length range established by comparable companies, and (iii) our Group not being subject to any investigation or administrative actions brought by relevant tax authorities during the Track Record Period in connection with our transfer pricing arrangement, our Directors confirm that our transfer pricing arrangements complied with all applicable PRC transfer pricing rules throughout the Track Record Period. In addition, RSM confirms that the risk of the transfer pricing to be challenged by the relevant tax authority is remote. Further, there were no outstanding tax liabilities relating to transfer pricing in the PRC and Hong Kong that were required to be settled with the relevant tax authority during the Track Record Period and up to the Latest Practicable Date.

ENVIRONMENTAL AND SAFETY REGULATION COMPLIANCE

Environment

We are subject to various environmental protection laws and regulations promulgated by the PRC national, provincial and municipal governments.

We generate and discharge air pollutants, waste water and other industrial waste at various stages of our manufacturing process. We have made contractual arrangements with professional third parties to treat and dispose waste water and other industrial waste. In addition, we installed a waste gas treatment facility in Huizhou to absorb hazardous air pollutants and purify the air before discharge. For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, our cost of compliance with applicable environmental protection laws and regulations was HK\$0.1 million, HK\$0.4 million, HK\$0.9 million, HK\$0.6 million and HK\$0.7 million, respectively.

We are subject to periodic inspection by the applicable PRC governmental authorities. We have established an environmental protection system in our operations in Shenzhen, the PRC in accordance with ISO14001 international standards. Sun Leader Shenzhen and Tian Chang Shenzhen were awarded ISO14001 + Cor. 1:2009 certification by TÜV Rheinland Cert GmbH in 2015. Tian Chang Huizhou was awarded the ISO14001 + Cor. 1:2009 certification by TÜV Rheinland Cert GmbH and the Hazard Analysis Critical Control Point (HACCP) Management System Certificate by Accredited Certification International Limited in 2016. Our new site in Huizhou was also awarded the SA8000:2014 certification by the Bureau Veritas office in June 2017. Historically, Tian Chang Shenzhen did not apply for the acceptance of environmental protection facilities and obtain the pollutant discharge permit. However, as confirmed by relevant governmental authorities, the likelihood of the administrative penalties being imposed for our failure to apply for the acceptance of environmental protection facilities and obtain pollutant discharge permit is relatively low.

Tian Chang Huizhou submitted the environmental impact report for its e-cigarette manufacturing project to the local environmental protection administrative authorities and obtained their reply in March 2017. Pursuant to the reply issued by the local environmental protection administrative authorities, Tian Chang Huizhou is permitted to construct the e-cigarette manufacturing facilities and must apply for relevant authorities' acceptance of environmental protection facilities upon the completion of construction. We completed the construction of the e-cigarette manufacturing facilities in April 2017 and submitted the application for the acceptance of environmental protection facilities in May 2017. We have started trial production of e-cigarette products in April 2017. According to the *Decision on the First Batch Cancellation of 62 Administrative Affairs Designated to Be Approved by Local Authorities by the Central Government by the State Council* (國務院關於第一批取消62項中央指定地方實施行政審批事項的決定) and the *Notice on the Environmental Protection Authorities No Longer Issuing Approval for Pilot Production of Construction Project by Environmental Protection Department* (環境保護部關於環境保護主管部門不再進行建設專案試生產審批的公告), the environmental protection administrative authorities have discontinued

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to issue administrative approvals for the trial production of construction projects since 8 April 2016. Therefore, we are not required to obtain any administrative approval for the trial production of e-cigarette products. We received the acceptance of environmental protection facilities issued by the local environmental protection administrative authorities in August 2017.

During the Track Record Period, we have not encountered any material non-compliance issue with respect to any applicable laws and regulations on environmental protection.

Safety

We are subject to various laws and regulations regarding labour, safety and work-related incidents. We have established a work safety management system in our operations. We provide work safety training to our staff from time to time. In addition, we have work safety supervisors inspect our manufacturing line to ensure compliance with relevant work safety requirements.

During the Track Record Period, we have complied with relevant work safety regulatory requirements in all material respects and have not had any incidents or complaints which would materially and adversely affect our business, financial condition and results of operations.

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

Regulatory Compliance

Non-compliance matter

Set out below is the material non-compliance on the laws and regulations in the PRC and Hong Kong during the Track Record Period.

<u>Non-compliance incident</u>	<u>Reason for non-compliance</u>	<u>Legal consequence including potential maximum penalty and other financial liabilities</u>	<u>Remedial actions</u>
1. Tian Chang Huizhou and Sun Leader Huizhou failed to commence and complete the property construction works on the two parcels of land in Huizhou before the specified commencement and completion date in the land grant agreements.	The delay was due to the late delivery of the two parcels of land by the relevant government authorities and the insufficient power supply for the construction works.	According to the Land Administration Law of the People's Republic of China (中華人民共和國土地管理法), Tian Chang Huizhou and Sun Leader Huizhou must use the State-owned land in accordance with the terms and conditions set forth in the land grant agreements.	As advised by our PRC Legal Advisers, based on the confirmation from relevant government authorities, the likelihood of the penalty at the rate of 1‰ of the land grant fee being imposed for our failure to commence and complete the construction within the required time under the land grant agreements is low.

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<u>Non-compliance incident</u>	<u>Reason for non-compliance</u>	<u>Legal consequence including potential maximum penalty and other financial liabilities</u>	<u>Remedial actions</u>
		<p>Pursuant to the land grant agreements, Tian Chang Huizhou and Sun Leader Huizhou are subject to a penalty of 1‰ of the total land grant fee per day, if they fail to commence or complete the property construction before the specified time in the land grant agreements.</p>	<p>During the Track Record Period and up to the Latest Practicable Date, no administrative penalties had been imposed on us by relevant government authority. In addition, as confirmed by relevant governmental authority, no administrative penalty, liquidated damages or other contractual liabilities for the breach of land grant agreements will be imposed on Tian Chang Huizhou and Sun Leader Huizhou as the delay was due to the late delivery of the two parcels of land by relevant government authorities and the insufficient power supply for the construction works and Tian Chang Huizhou and Sun Leader Huizhou are allowed to carry out the remaining property construction as planned without any administrative consequences.</p> <p>On the basis above, we plan to continue our construction works as planned.</p>

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Non-compliance incident	Reason for non-compliance	Legal consequence including potential maximum penalty and other financial liabilities	Remedial actions
<p>2. During the Track Record Period, our PRC Subsidiaries failed to make social insurance contribution in full for their employees.</p>	<p>Certain employees came from rural areas and such rural workers have their residence registered with the villages from which they came. The relevant local government authorities have different practices in respect of social security insurance contribution schemes for rural workers, who migrate from place to place. Therefore, it is difficult for rural workers to transfer their social security registrations to other localities and continue their social security contributions, in which circumstances such employees have not been willing to participate in the social security system.</p>	<p>Under relevant PRC laws and regulations, the social insurance bureau may require our PRC Subsidiaries to pay the underpaid social insurance contribution within a prescribed time and to pay a penalty for the daily late payment at a rate of 0.05% as from the due date. If the PRC Subsidiaries fail to pay within the prescribed time limits, a fine of one to three times of the outstanding amount will be imposed.</p>	<p>During the Track Record Period and up to the Latest Practicable Date, we had not received any notification from relevant government authority that our PRC Subsidiaries must rectify our non-compliance incident or our PRC Subsidiaries are subject to any administrative penalties.</p> <p>As confirmed by local social security administrative authority in Shenzhen, Tian Chang Shenzhen and Sun Leader Shenzhen had not been subject to any penalties for the contribution payment of social security during the Track Record Period. In addition, as confirmed by local social security administrative authority in Huizhou, Tian Chang Huizhou and Sun Leader Huizhou had not been subject to any penalties for the contribution payment of social security since they started to make social security contribution payment to local social security administrative authority until June 2017.</p> <p>Our PRC Subsidiaries started to pay social insurance for their employees under relevant laws and regulations gradually from July 2017.</p> <p>We made a provision of approximately HK\$5.2 million on the underpaid social insurance contribution as of 31 August 2017. Our Directors confirm that the provision amount is adequate.</p> <p>In order to offer additional protection to our Group, pursuant to the Deed of Indemnity, Mr. Chan has undertaken to fully indemnify us against all the payment of the unpaid social insurance contributions set forth above per se to the extent not covered by the above provision.</p>

BUSINESS

Non-compliance incident	Reason for non-compliance	Legal consequence including potential maximum penalty and other financial liabilities	Remedial actions
<p>3. During the Track Record Period, our PRC Subsidiaries registered with the relevant housing provident fund authority but failed to make housing provident fund contribution in full for their employees.</p>	<p>Certain employees came from rural areas and such rural workers have their residence registered with the villages from which they came. The relevant local government authorities have different practices in respect of social security insurance contribution schemes for rural workers, who migrate from place to place. Therefore, it is difficult for rural workers to transfer their social security registrations to other localities and continue their social security contributions, in which circumstances such employees have not been willing to participate in the social security system.</p>	<p>Under relevant PRC laws and regulations, relevant governmental authority may require our PRC Subsidiaries to pay the underpaid housing provident fund in a prescribed time. If they do not pay the underpaid housing provident fund in the prescribed time, relevant governmental authority may apply to the court for mandatory enforcement.</p>	<p>During the Track Record Period and up to the Latest Practicable Date, we had not received any notification from relevant government authorities that our PRC Subsidiaries must rectify our non-compliance incident.</p> <p>As confirmed by local housing provident fund administrative authority in Shenzhen, Tian Chang Shenzhen and Sun Leader Shenzhen had not been subject to any penalties for the contribution payment for housing provident fund during the Track Record Period. In addition, as confirmed by local housing provident fund administrative authority in Huizhou, Tian Chang Huizhou and Sun Leader Huizhou had not been subject to any penalties for the contribution payment for housing provident fund since they opened the housing provident fund account until June 2017.</p> <p>Our PRC Subsidiaries started to pay housing provident fund for their employees under relevant laws and regulations gradually from July 2017.</p> <p>We made a provision of approximately HK\$1.1 million on the underpaid housing provident fund contribution as of 31 August 2017. Our Directors confirm that the provision amount is adequate.</p> <p>In order to offer additional protection to our Group, pursuant to the Deed of Indemnity, Mr. Chan has undertaken to fully indemnify us against all the relevant liabilities, costs and expenses which may arise from the enforcement actions by the relevant authorities in respect of the non-compliance incidents, if any, and payment of the unpaid housing provident fund contributions set forth above per se to the extent not covered by the above provision.</p>

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Non-compliance incident	Reason for non-compliance	Legal consequence including potential maximum penalty and other financial liabilities	Remedial actions
<p>4. Workshop Unit 6, 13th Floor, Block B, Hoi Luen Industrial Centre, 55 Hoi Yuen Road, Kwun Tong, Hong Kong (the “Hong Kong Leased Property”) is being used by us as office (the “Actual Use”). The permitted use as specified in each of the relevant (i) government lease and (ii) deed of mutual covenant is for industrial purposes only. Accordingly, the Actual Use does not comply with the permitted use as specified in the relevant government lease and deed of mutual covenant.</p>	<p>Due to our unintended and inadvertent oversight.</p>	<p>The consequence of non-compliance with the permitted use of the Hong Kong Leased Property as stated in the relevant government lease is that the government authority is entitled to re-enter the Hong Kong Leased Property and claim for damages.</p> <p>The consequence of non-compliance with the permitted use of the Hong Kong Leased Property as stated in the relevant deed of mutual covenant is that the incorporated owners or the manager of the building containing the Hong Kong Leased Property is obliged to enforce the term of the deed of mutual covenant by claiming against Tian Chang Industrial, inter alia, for an injunction from the court prohibiting the Actual Use in contravention of the term of the deed of mutual covenant.</p>	<p>During the Track Record Period and up to the Latest Practicable Date, (i) we had not received any notification from the government authority that it would exercise the right to re-enter the Hong Kong Leased Property; (ii) we had not been penalised by any government authority for our failure to comply with Section 25(1) of the Building Ordinance (Chapter 123 of the Laws of Hong Kong); (iii) we had not received any notification from the incorporated owners or the manager of the building containing the Hong Kong Leased Property prohibiting the Actual Use; and (iv) we had not received any notification from the landlord of the Hong Kong Leased Property that it would exercise the right to terminate the tenancy agreement and re-enter the Hong Kong Leased Property.</p>

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Non-compliance incident	Reason for non-compliance	Legal consequence including potential maximum penalty and other financial liabilities	Remedial actions
		<p>The consequence of non-compliance with the permitted use of the Hong Kong Leased Property as stated in the relevant occupation permit is that Tian Chang Industrial is liable to a maximum fine of HK\$100,000 and the directors of Tian Chang Industrial are liable to a maximum fine of HK\$100,000 and maximum imprisonment of two years for a breach of Section 25(1) of the Building Ordinance (Chapter 123 of the Laws of Hong Kong).</p> <p>The consequence of non-compliance with the permitted use of the Hong Kong Leased Property as stated in the relevant tenancy agreement is that the landlord of the Hong Kong Leased Property is entitled to re-enter the Hong Kong Leased Property and the tenancy agreement shall absolutely be determined.</p> <p>As (i) the likelihood of maximum penalty and/or imprisonment being imposed for our failure to comply with Section 25(1) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) is remote, no provision has been made in the financial statements of our Group for the potential penalties and fines for the non-compliance.</p>	<p>On the basis above, we plan to continue using the Hong Kong Leased Property for the Actual Use until the expiry of the tenancy agreement on 28 February 2019. Thereafter, we intend to relocate our office to another premises. In the event that we (i) receive notification from any government authority that it will exercise the right to re-enter the Hong Kong Leased Property; (ii) receive notification from the incorporated owners or the manager of the building containing the Hong Kong Leased Property prohibiting the Actual Use; or (iii) receive notification from the landlord of the Hong Kong Leased Property that it will exercise the right to terminate the tenancy agreement and re-enter the Hong Kong Leased Property, we will relocate our office to another premises. In such event, we will seek legal advice from our external Hong Kong legal adviser to ensure compliance with the applicable laws and regulations and relevant documents.</p>

BUSINESS

<u>Non-compliance incident</u>	<u>Reason for non-compliance</u>	<u>Legal consequence including potential maximum penalty and other financial liabilities</u>	<u>Remedial actions</u>
			<p>Based on the view of a Hong Kong barrister engaged by us, our Directors are of the view that the likelihood of maximum penalty being imposed for our failure to comply with Section 25(1) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) is remote and imprisonment being imposed is low.</p> <p>Given that (i) the manufacturing facilities and equipment are not located in the Hong Kong Leased Property; (ii) the relatively insignificant relocation cost; (iii) it is expected that there will be no significant period of business interruption as a result of relocation; (iv) sourcing an available alternate premises in Hong Kong which legally allowed us to engage in the Actual Use is not difficult; our Directors are of the view that the above non-compliance relating to the Hong Kong Leased Property does not and will not have any material financial or operational impact on us.</p>

Our Directors are of the view that above incidents of non-compliance, whether individually or collectively, have not and will not have a material adverse effect on our business, results of operations and financial condition. Other than disclosed above, our Directors confirm that we had complied with applicable laws and regulations in all material respects in Hong Kong and the PRC (being the principal jurisdictions in which we operate) during the Track Record Period and up to the Latest Practicable Date.

Legal Proceedings

We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business. As of the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim and no litigation, arbitration or claim was known to our Directors to be pending or threatened by or against any member of our Group that would have a material adverse effect on our business, results of operations or financial condition.

INTERNAL CONTROL

In order to ensure future compliance with applicable laws and regulations and related policies in different operational aspects, we have, in consultation with our internal control adviser, adopted a written internal control policy and the following measures:

- (i) our Directors have attended training conducted by our Hong Kong legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules, and the Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong; and
- (ii) we have appointed Innovax Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines.

We engaged an independent internal control adviser (the “**Internal Control Adviser**”) to conduct an internal control review of certain of our Group members, identifying deficiencies and improvement opportunities, furnish recommendations on remedial actions from 17 April 2017 to 10 May 2017 and review the implementation status of these remedial actions from 26 June 2017 to 28 June 2017. Following such review and evaluation performed by the Internal Control Adviser, our Group has implemented or will implement prior to Listing all of the recommendations given by the Internal Control Adviser on our internal control system. The table below sets forth the material deficiencies identified by our Internal Control Advisor and the rectification status of our implementation of the remedial measures:

Material deficiencies and recommendations

- There were certain defects in the formation and operation of our Board and some of its special committees.
- We did not maintain effective monitoring policy on trade receivables and the provisions for bad debt.

Implementation of the remedial measures

We will optimise the organisational structure of the Board as well as the operation of different special committees under the Board in compliance with the Listing Rules. We have formulated internal regulations to specify the allocation of responsibilities between Directors and senior management and each of their meeting procedures.

We established internal policy on the monitoring and collection of trade receivables. Our finance department will monitor and make provision on bad debt in accordance with the aging of the trade receivables.

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Material deficiencies and recommendations

- We did not establish written policies and procedures on inventory valuation and provision.
- Our PRC Subsidiaries failed to make social insurance and provident housing fund contribution payments in full. See “– Regulatory Compliance and Legal Proceedings – Regulatory Compliance – Non-compliance matter”.

Implementation of the remedial measures

We established written policies and procedure for key inventory process, including but not limited to, inventory provision. Provision on inventory will be made in accordance with the inventory aging and the inventory policies.

Our PRC Subsidiaries started to pay social insurance and provident housing fund contribution for their employees under relevant laws and regulations from July 2017.

After considering the above remedial actions taken by our Group and our business nature and operation scale, both our Directors and the Sole Sponsor are satisfied that our internal control system is adequate and effective for our current operating environment.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Global Offering, Oceanic Green, New Strength, Gold Alliance, New Straits, Treasure Line and Flaming Sapphire will be legally and beneficially interested in an aggregate of 75% of the Shares in issue (assuming the Over-allotment Option is not exercised). Oceanic Green, New Strength, Gold Alliance, New Straits, Treasure Line and Flaming Sapphire are directly and wholly owned by Mr. Chan. Accordingly, Mr. Chan will, indirectly, through his holding companies, own a total of 75% of the issued shares of our Company. Accordingly, Mr. Chan, Oceanic Green, New Strength, Gold Alliance, New Straits, Treasure Line and Flaming Sapphire will together be considered as our Controlling Shareholders upon Listing. Save as disclosed in “– Other Businesses Engaged by Our Controlling Shareholder” below and except for their respective interests in our Company, each of the Controlling Shareholders confirms that he/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our Group’s business upon Listing.

OTHER BUSINESSES ENGAGED BY OUR CONTROLLING SHAREHOLDER

During the Track Record Period, apart from holding interest in our Group, Mr. Chan or his close associate also held interest in each of 1) Fast Precision; 2) Fast Precision Huizhou; and 3) Huizhou Shentong. As at the Latest Practicable Date, Mr. Chan had disposed of his entire interest in Fast Precision and Fast Precision Huizhou.

General Information about Fast Precision

Fast Precision was incorporated in Hong Kong on 26 April 2013 and had been held as to 69.23% by Mr. Chan and 30.77% by an Independent Third Party until 29 March 2017, when Mr. Chan disposed of his entire interest in Fast Precision to an Independent Third Party. The principal business of Fast Precision includes trading. Since its incorporation until Mr. Chan disposed of Fast Precision on 29 March 2017, Fast Precision had not committed any material non-compliance. During the Track Record Period, we entered into certain transactions with Fast Precision. For details, please refer to Note 28 to the Accountants’ Report in Appendix I to this Prospectus.

General Information about Fast Precision Huizhou

Fast Precision Huizhou was established in the PRC on 25 October 2013 and is wholly owned by Fast Precision, hence had been indirectly held by Mr. Chan through his interest in Fast Precision until 29 March 2017 when Mr. Chan disposed of his entire interest in Fast Precision. Its principal business includes design, fabrication and sales of moulds. Since its establishment until Mr. Chan disposed of Fast Precision Huizhou on 29 March 2017, Fast Precision Huizhou had not committed any material non-compliance. During the Track Record Period, we entered into certain transactions with Fast Precision Huizhou, the details of which are set out in Note 28 to the Accountants’ Report in Appendix I to this Prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

General Information about Huizhou Shentong

Huizhou Shentong was established in the PRC on 11 April 2013 and is wholly owned by Mr. Chen Can Wei, a brother of Mr. Chan. The principal business of Huizhou Shentong includes industrial investment, real estate development and management and property leasing and management. During the Track Record Period, we had non-trading current amounts due to Huizhou Shentong, the details of which are set out in “Financial Information – Analysis of Financial Position – Trade and Other Payables – Other Payables”.

As of the Latest Practicable Date, apart from holding interest in our Company, Mr. Chan, our Controlling Shareholder, is also holding interest in each of 1) CDN International Group Limited (“**CDN Group Holding**”); 2) Tian Chang Tech (HK) Limited (“**Tian Chang Tech**”); and 3) Prime Source Electronics Tech Limited (“**Prime Source**”).

General Information about CDN Group Holding

CDN Group Holding was incorporated in Hong Kong on 1 September 2010 and as at the Latest Practicable Date, was held as to 49% by Mr. Cheng Chak and 51% by Mr. Chan. CDN Group Holding had been in the business of trading accessories of electronic products and iPhone related accessories.

General Information about Tian Chang Tech and Prime Source

Tian Chang Tech was incorporated in Hong Kong with limited liability on 3 June 2010 and is wholly owned by Mr. Chan. Prime Source was incorporated in Hong Kong with limited liability on 27 July 2015 and is wholly owned by Mr. Chan. Neither Tian Chang Tech nor Prime Source has engaged in any business since their respective date of incorporation.

Since neither CDN Group Holding, Tian Chang Tech nor Prime Source has any business operation, our Directors are of the view that there is no potential competition between the business of our Group and the other businesses of our Controlling Shareholder.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, we believe that our Group is capable of carrying on its business independently of the Controlling Shareholders and their respective close associates after completion of the Global Offering:

Management Independence

Our Board and members of our senior management team have functions that are independent from our Controlling Shareholders and their respective close associates. Our Board comprises three executive Directors and three independent non-executive Directors.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Each of our Directors is aware of his or her fiduciary duties as a director of our Company which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders following the completion of the Global Offering.

Operational Independence

Except for the Leased Premises as mentioned in the section headed “Continuing Connected Transactions” in this Prospectus, which our Directors consider can be replaced if necessary within a short period of time without incurring significant costs, there is no other connected transaction between our Controlling Shareholders or their respective close associates and any member of our Group.

Our Group has established our own organisational structure comprising of individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, marketing, information technology, human resources and administration resources with our Controlling Shareholders and/or their close associates. Based on the above, our Directors are of the view that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to the needs of our business. Our Group has sufficient working capital to operate its business independently and sufficient internal resources to support its daily operations.

During the Track Record Period, we financed our operations through cash generated from our operations, interest-bearing borrowings from Hong Kong and PRC banks, finance lease and loans from Shareholders. All collaterals and guarantees provided by Mr. Chan and/or his family members and other Directors are expected to be released and replaced by a corporate guarantee to be given by the Company upon Listing and the banks have provided their consent in this regard. In the circumstances, we believe we are capable of maintaining financial independence from the Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKING

For the purpose of the Listing, our Controlling Shareholders have entered into the Deed of Non-Competition with our Company, pursuant to which each of the Controlling Shareholders has unconditionally and irrevocably undertaken to, in favour and for the benefit of, our Company (for itself and as a trustee for each other member of our Group) that it/he would not, and would procure that its/his close associates would not compete with our Group, directly or indirectly (other than through our Group), whether on its/his own account or jointly with or on behalf of any person, firm or company, by carrying on or investing or acquiring any rights or participating or being engaged, concerned or interested, directly or indirectly (whether as a shareholder, director, employee, partner, agent or otherwise, and whether for profit, reward or otherwise), in the carrying on of any activity or business which directly or indirectly competes or is likely to compete with the business and related business activities engaged by our Group in Hong Kong and the PRC from time to time (the “**Restricted Activity**”).

Further, each of our Controlling Shareholders has unconditionally and irrevocably undertaken to our Company that in the event that it/he or its/his close associate(s) (other than members of our Group) become(s) aware of any business opportunity which is related to the Restricted Activity or which directly or indirectly competes, or may lead to competition with the Restricted Activity, or such opportunity is made available to it/him and/or its/his associates, it/he will direct and/or will procure its/his associates to direct such opportunity to our Group (and not to any other person) and inform our Group of such opportunity on a timely basis but in any event no later than fourteen days from the date of becoming aware or receipt of such enquiry or knowledge of such opportunity together with such requisite information to enable our Group to evaluate the merits of the opportunity, and that it/he could engage in the Restricted Activity only upon the Company, after consideration by the independent committee of the Board comprising the independent non-executive Directors, resolving not to carry out or otherwise engage in the Restricted Activity.

Each of our Controlling Shareholder has represented and warranted that, as of the date of the Deed of Non-Competition, neither he/it nor any of his/its close associates was carrying on or engaged or participated or interested or involved, directly or indirectly (whether as a shareholder, director, employee, partner, agent or otherwise, and whether for profit, reward or otherwise), in any business that directly or indirectly competes or may lead to competition with our Group or in the Restricted Activity otherwise than through our Group and save as disclosed in “– Other Businesses Engaged by Our Controlling Shareholder”.

Each of our Controlling Shareholders has also undertaken to our Company the following:

- (a) to provide all information as it/he and/or its/his associates may possess and is necessary as required by the independent non-executive Directors of our Company for determination of the compliance with the terms of the Deed of Non-Competition; and
- (b) to provide our Company with an annual confirmation in respect of it/his and its/his associates’ compliance with the terms of the Deed of Non-Competition and acknowledges and agrees the disclosure of such annual confirmation in the annual report of our Company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The Deed of Non-Competition does not apply to:

- (a) the holding of shares and other securities in any member of our Group; or
- (b) the holding of and/or interests in any shares or other securities in any listed company which engages or is involved in any business or activity which directly or indirectly competes with the Restricted Activity, provided that (i) the total shareholding held by our Controlling Shareholders and their respective associates in such listed company, whether directly or indirectly, does not, in aggregate, exceed 5% of the issued share capital of such listed company; (ii) our Controlling Shareholders and their respective associates will not participate in or be otherwise involved in the management of such listed company; and (iii) the business or activity conducted or engaged in by such listed company which is in direct or indirect competition with the Restricted Activity accounts for less than 10% of that listed company's combined turnover or combined assets.

The obligation of our Controlling Shareholders under the Deed of Non-Competition will cease to have any effect whatsoever on:

- (a) the date on which our Shares cease to be listed on the Stock Exchange; or
- (b) the date on which that our Controlling Shareholder and their respective associates cease to hold, in aggregate, whether directly or indirectly, 30% or more of the issued share capital of our Company, or otherwise cease to be regarded as our Controlling Shareholders, whichever occurs first.

CORPORATE GOVERNANCE MEASURES

The following corporate governance measures are expected to be adopted by our Company:

- (1) our independent non-executive Directors will, at least on an annual basis, review the compliance and enforcement of the Deed of Non-Competition by our Controlling Shareholders. Our Controlling Shareholders have undertaken that they will and will procure their associates to provide all information reasonably required by our independent non-executive Directors to assist them in the assessment. Our Company will disclose the review in our annual report or by way of announcement to the public. Our Controlling Shareholders have also undertaken that they will make an annual confirmation on the compliance with the Deed of Non-Competition and other connected transaction agreements in our annual report;
- (2) our independent non-executive Directors will also review, on an annual basis, all decisions made in relation to any new business opportunities offered during the year. Our Company will disclose such decisions and basis for them in our annual report or by way of announcement to the public;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (3) our Company has appointed Innovax Capital Limited as the compliance adviser who shall provide us with professional advice and guidance, in respect of compliance with the Listing Rules and applicable laws;
- (4) any transaction (if any) between (or proposed to be made between) our Company and connected persons will be required to comply with Chapter 14A of the 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 the relevant requirements under the Listing Rules; and
- (5) in the event that there is any potential conflict of interests relating to the business of our Group between our Group and our Controlling Shareholders, the interested Directors, or as the case may be, our Controlling Shareholders would, according to the Articles or the Listing Rules, be required to declare his interests and, where required, abstain from participating in the relevant board meeting or general meeting and voting on the transaction and not count as quorum where required.

Our Directors have reviewed the above corporate governance measures adopted by our Company, and we have engaged an independent internal control consultant to review our internal controls over financial reporting of other areas including corporate governance measures. For more details, please refer to the section headed "Business – Internal Control" in this Prospectus.

CONTINUING CONNECTED TRANSACTIONS

CONNECTED PERSONS

Upon Listing, Mr. Chan, an executive Director, Chairman, chief executive officer and Controlling Shareholder of our Company, and Mr. Cheng Chak, our executive Director, will become our connected persons. CDN Holdings, a company incorporated in Hong Kong with limited liability on 25 August 2010, is owned as to 51% by Mr. Chan and 49% by Mr. Cheng Chak. As such, CDN Holdings is an associate of Mr. Chan and Mr. Cheng Chak and also a connected person of our Group.

Accordingly, any transaction with Mr. Chan, Mr. Cheng Chak and CDN Holdings or their respective associates, which continues after Listing, will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

Our Group has entered into the following transaction with CDN Holdings which is expected to continue after Listing and which will, upon Listing, constitute fully exempt continuing connected transaction of our Company under the Listing Rules.

Lease of Premises from CDN Holdings

On 1 March 2016, Tian Chang Industrial entered into a tenancy agreement with CDN Holdings, pursuant to which Tian Chang Industrial leased Workshop Unit 6 on the 13th Floor of Block B, Hoi Luen Industrial Centre, 55 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong (the “**Leased Premises**”) from CDN Holdings (the “**Tenancy Agreement**”). The principal terms of the Tenancy Agreement are as follows:

Parties	:	Tian Chang Industrial and CDN Holdings
Premises being leased	:	Workshop Unit 6 on the 13th Floor of Block B, Hoi Luen Industrial Centre, 55 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong
Tenancy term	:	Three years from 1 March 2016 to 28 February 2019
Rental	:	HK\$45,000 per calendar month, exclusive of rates, management fee and all other outgoings, payable in advance on the first day of each and every calendar month
Deposit	:	HK\$90,000 as deposit is payable by Tian Chang Industrial under the Tenancy Agreement

CONTINUING CONNECTED TRANSACTIONS

The total amount of rental paid by our Group in respect of the lease of the Leased Premises for the year ended 31 December 2016 and for the eight months ended 31 August 2017 were HK\$540,000 and HK\$360,000, respectively.

Based on the monthly rental payable under the Tenancy Agreement, it is expected that the aggregate rental payable by our Group to CDN Holdings pursuant to the Tenancy Agreement, the term of which is from 1 March 2016 to 28 February 2019, for the years ending 31 December 2017, 2018 and 2019 will not exceed HK\$540,000, HK\$540,000, HK\$90,000, respectively.

The terms of the Tenancy Agreement were negotiated on an arm's length basis and the rental payable under the Tenancy Agreement was in line with the then prevailing market price based on review by an independent valuer. Our Directors (including the independent non-executive Directors) are of the view that (i) the Tenancy Agreement was entered into in the ordinary and usual course of business of our Group; (ii) the aggregate rental payable thereunder for the years ending 31 December 2017, 2018 and 2019 as set out above is fair and reasonable; and (iii) the terms are on normal commercial terms or better from the perspective of our Group and are fair and reasonable, and are in the interests of our Group and our Shareholders as a whole.

As all of the applicable percentage ratios (other than the profits ratio) in respect of the annual rental of the Tenancy Agreement are less than 5% and the total consideration is less than HK\$3,000,000, the transaction contemplated thereunder constitutes a *de minimis* continuing connected transaction which is fully exempt from annual reporting, annual review, announcement, circular and independent Shareholders' approval requirement as set out in Chapter 14A of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The Board consists of six Directors, including three executive Directors and three independent non-executive Directors. The functions and duties of the Board include but are not limited to: convening Shareholders' general meetings and reporting the Board's work at the Shareholders' general meetings; implementing the resolutions passed at the Shareholders' general meetings; determining our business plans and investment plans; preparing annual budget proposals and final accounts proposals; preparing plans for profit distribution and recovery of losses; preparing plans for the increase or decrease in registered capital; and exercising other power, functions and duties as conferred by the Articles of Association. Each of our executive Directors has entered into a service contract with the Company and each of our independent non-executive Directors has entered into a letter of appointment with the Company.

The following table sets forth certain information of our Directors.

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and senior management
Mr. CHAN Tsan Lam (陳燦林)	57	Chairman, executive Director, chief executive officer	26 April 2017	September 2000	Formulating corporate strategies, overseeing the overall management of business and operation of our Group	Father of Ms. Chan Yin Yan
Mr. CHENG Chak (鄭澤)	66	Executive Director	30 June 2017	September 2000	Providing technical advice and supervision on the manufacturing of products of the Group	None
Ms. CHAN Yin Yan (陳燕欣)	28	Executive Director	30 June 2017	June 2013	Overseeing the overall management of business and operation of our Group and responsible for the marketing of the Group	Daughter of Mr. Chan
Mr. LO Ka Ki (盧家麒)	38	Independent non-executive Director	8 February 2018	8 February 2018	Providing independent views on the management of our Group	None
Mr. HUNG Chun Leung (洪俊良)	51	Independent non-executive Director	8 February 2018	8 February 2018	Providing independent views on the management of our Group	None
Mr. CHAN Bing Kai (陳秉階)	71	Independent non-executive Director	8 February 2018	8 February 2018	Providing independent views on the management of our Group	None

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. CHAN Tsan Lam (陳燦林), aged 57, is the founder of our Group. Mr. Chan is an executive Director, Chairman and chief executive officer of the Company. He is primarily responsible for formulating corporate strategies, overseeing the overall management of business and operation of our Group. Mr. Chan is also a director of all of our subsidiaries.

Mr. Chan has over 29 years of experience in marketing, strategic planning and business management in the manufacturing industry. From 1987 to 1991, Mr. Chan co-founded a partnership, Lee Tat Plastic Mould Co (利達模具製造廠) with an Independent Third Party to undertake the business of design, production, processing and refining. From 1991 until Mr. Chan founded Sun Leader HK in September 2000, Mr. Chan worked as a sole proprietor in Sun Leader Machinery Mould Co (新利達機械製模公司) specializing in mould design and manufacturing. Mr. Chan was involved in the incorporation and establishment of several companies in Hong Kong and the PRC since September 2000. Mr. Chan incorporated Sun Leader HK in September 2000 and has accumulated extensive experience in management of customer relationships and companies.

Mr. Chan is the father of Ms. Chan Yin Yan, an executive Director of the Company. He is one of the Controlling Shareholders.

Mr. CHENG Chak (鄭澤), aged 66, is our executive Director and our mould fabrication technical consultant. Mr. Cheng is primarily responsible for providing technical advice and supervision on the manufacturing of products of the Group.

Mr. Cheng has over 42 years of experience in the mould fabrication industry. From 1974 to 1978, Mr. Cheng worked as an apprentice in a radio mould factory in Hong Kong. From June 1978 to April 1984, Mr. Cheng worked as a technician in a mould factory in Hong Kong. From April 1984 to September 2000, he worked as a partner in two factories in Hong Kong, both specializing in mould production. Mr. Cheng is also the founder of Sun Leader HK. Mr. Cheng is familiar with the design, production and fabrication of plastic moulds.

Ms. CHAN Yin Yan (陳燕欣), aged 28, is our executive Director and our vice president of marketing. Ms. Chan is primarily responsible for overseeing the overall management of business and operation of our Group and responsible for the marketing of the Group.

Ms. Chan joined our Group in June 2013 and has been responsible for managing part of our business and developing our customer base and is the key personnel in developing our e-cigarette business.

Ms. Chan has obtained a bachelor's degree in commerce from Curtin University of Technology in Australia in August 2011.

Ms. Chan is the daughter of Mr. Chan, an executive Director, Chairman and chief executive officer of the Company.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. LO Ka Ki (盧家麒), aged 38, is our independent non-executive Director. He is primarily responsible for providing independent views on the management of our Group and does not participate in the day-to-day management of our business operations.

Mr. Lo is a practising certified public accountant in Hong Kong with over 10 years of experience in auditing, accounting and corporate management. From December 2005 to June 2007, Mr. Lo worked as an auditor at the audit department of RSM Nelson Wheeler (羅申美會計師行) (now known as RSM Hong Kong). From June 2007 to July 2009, he worked as an accountant at LifeTec Enterprise Limited. In December 2009, Mr. Lo joined RSM Nelson Wheeler (中瑞岳華(香港)會計師事務所) and worked in its Audit & Assurance Services Department and was an audit manager when he left in November 2014. Mr. Lo joined World Link CPA Limited (華普天健(香港)會計師事務所有限公司) immediately after leaving RSM Nelson Wheeler (羅申美會計師行) as an audit senior manager and is currently in a position of practicing director.

Mr. Lo obtained his master's degree in professional accounting from The Hong Kong Polytechnic University in October 2009. He has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since May 2014 and a fellow member of The Association of Chartered Certified Accountants since June 2010.

Mr. HUNG Chun Leung (洪俊良), aged 51, is our independent non-executive Director. He is primarily responsible for providing independent views on the management of our Group and does not participate in the day-to-day management of our business operations. Mr. Hung joined Messrs. Terry Yeung & Lai, Solicitors as a consultant solicitor in July 1997 and has become a partner of Messrs. Terry Yeung & Lai, Solicitors since February 2016. Mr. Hung has approximately 20 years of experience in handling legal matters in the areas of conveyancing, mortgage finance transactions, commercial contracts, acquisition of shares, matrimonial cases, civil litigation and estate agents disciplinary inquiry hearings.

Mr. Hung obtained his bachelor of laws degree with honours from The University of Hong Kong in December 1990 and his Postgraduate Certificate in Laws also from The University of Hong Kong in September 1991. Mr. Hung was admitted as a solicitor of the Supreme Court of Hong Kong in October 1993 and has been a member of the Law Society of Hong Kong since then.

DIRECTORS AND SENIOR MANAGEMENT

Mr. CHAN Bing Kai (陳秉階), aged 71, is our independent non-executive Director. He is primarily responsible for providing independent views on the management of our Group and does not participate in the day-to-day management of our business operations. Mr. Chan has over 40 years of experience in the industry of manufacturing electronic products. Mr. Chan is the co-founder of Arts Electronics Co., Ltd., a company that designs and manufactures a comprehensive line of audio and LED products, including CD, DVD, iPod docking or accessories and other high-fidelity multimedia for LED OEM customers.

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

As at the Latest Practicable Date, save as disclosed in the paragraph headed “3. Further Information About Our Directors And Substantial Shareholders – 3.1 Disclosure of Interests – (a) Interests and short positions of our Directors and the chief executive in the shares, underlying shares or debentures of our Company and its associated corporations” in Appendix VI to this Prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Each of our Directors has confirmed that he does not have any interest in a business apart from ours which competes or is likely to compete, directly or indirectly, with us which is discloseable under Rule 8.10 of the Listing Rules.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2) (h) to (v) or paragraph 41(3) of Appendix 1A of the Listing Rules as of the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

In addition to our executive Directors, our Company also has the following senior management members to assist our operation. Our senior management is responsible for the day-to-day management of our business. The following table sets forth certain information of the members of the senior management of the Company.

Name	Age	Position	Date of appointment	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and senior management
Mr. LIAO Chi Cheng (廖麒城)	66	General manager of the Group	October 2016	October 2016	Managing the general operations of our Group and supervising the overall business performance of the Group	None
Ms. POON Po Han Lisa (潘寶嫻)	55	Chief financial officer	6 July 2017	May 2008	Responsible for financial planning and management, overseeing the accounting department of our Group	None
Mr. Chan Man Ho Johnny (陳文豪)	52	Vice general manager of our e-cigarette department	March 2017	March 2017	Overseeing the overall management and operation of e-cigarette department and the general compliance regarding our e-cigarette business	None
Mr. Wu Chen-Tong (吳震東)	61	Technical consultant of research and development department	December 2015	December 2015	Overseeing the development and manufacturing of new products and quality control	None
Mr. Yueh Yung Chan (葉永燦)	45	Vice general manager of engineering department	February 2015	February 2015	Overseeing the operation of our production plant	None

Mr. LIAO Chi Cheng (廖麒城), aged 66, has been the general manager of our Group since October 2016. Mr. Liao is primarily responsible for managing the general operations of our Group and supervising the overall business performance of the Group.

Mr. Liao has over 25 years of experience in business marketing and corporate management in consumer electronics related industry. Prior to joining our Group, Mr. Liao worked as the executive vice president of Eastech Electronics (Taiwan) Inc. (東雅電子股份有限公司) from October 1992 to September 2016.

Mr. Liao obtained a bachelor's degree in English language from Chinese Culture University in Taiwan in 1974.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Poon Po Han Lisa (潘寶嫻), for biographical details of Ms. Poon, please refer to “–Company Secretary” in this section of this Prospectus.

Mr. Chan Man Ho Johnny (陳文豪), aged 52, is the vice general manager of our e-cigarette department and he is primarily responsible for overseeing the overall management and operation our e-cigarette department and the general compliance regarding our e-cigarette business.

From October 2003 to February 2011, Mr. Chan worked as the regional manager of Molex Interconnect (Shanghai) Co., Ltd. From March 2011 to January 2015, Mr. Chan worked as global director of Danfoss A/S. From January 2015 to January 2017, Mr. Chan worked as the operations director of Thorn Lighting (Guangzhou) Ltd.

Mr. Chan graduated with a bachelor’s degree in materials science and engineering from the University of Leeds in July 1987. He later obtained a postgraduate diploma in quality management from the University of Paisley in October 2000. In February 2015, Mr. Chan received a graduate certificate in business research from the University of Newcastle in Australia. In September 2003, Mr. Chan completed the Six Sigma Black Belt programme conducted by PSB corporation. In September 2016, Mr. Chan has been awarded by The Institute of Crisis and Risk Management as a certified risk planner. Mr. Chan is a member of The Hong Kong Institute of Engineers.

Mr. Wu Chen-Tong (吳震東), aged 61, is the technical consultant to our research and development department and he is primarily responsible for overseeing the development and manufacturing of new products and quality control.

From February 1990 to October 2007, he worked with Fast Technologies Inc. (漢康科技股份有限公司) as the vice general manager. From October 2007 to May 2009, Mr. Wu worked with SST Taiwan Ltd. as the Vice President. From August 2009 to December 2011, Mr. Wu worked with Entropy Precision System Inc. (蒂特精密科技股份有限公司) as supervisor in the engineering development department. From June 2012 to April 2014, Mr. Wu worked with Jointech Consultants Limited as R&D manager. From May 2014 to December 2015, Mr. Wu worked in Well Impact Limited (匯展科技(深圳)有限公司) as vice general manager.

Mr. Wu obtained a bachelor’s degree in electronic engineering from National Taiwan Ocean University in June 1980.

Mr. Yueh Yung Chan (葉永燦), aged 45, is the vice general manager of our engineering department and he is primarily responsible for overseeing the operation of our production plant. Prior to joining our Group in February 2015, Mr. Yueh has more over 15 years of experience in the area of project engineering.

From October 1996 to December 1999, Mr. Yueh worked as an engineer with Homewatch Limited and later as a senior engineer from January 2000 to March 2001. From April 2001 to August 2003, Mr. Yuen worked with Welback Enterprises Limited as the senior mechanical

DIRECTORS AND SENIOR MANAGEMENT

engineer. From August 2003 to August 2004, Mr. Yueh worked as engineer III of the corporate engineering department of Johnson Electric Industrial Manufactory, Ltd.. From January 2005 to October 2008, Mr. Yueh worked first as the assistant mechanical manager and later as the project manager with Eagletron Telecommunications Ltd.. From April 2009 to February 2015, Mr. Yueh worked as the senior technical manager with Wireless Solutions Limited.

Mr. Yueh obtained his bachelor of engineering in manufacturing engineering from The Hong Kong Polytechnic University in November 1996. He later obtained Postgraduate Diploma in Mechanical Engineering from The Hong Kong Polytechnic University in November 2000. Mr. Yueh received his master of science in mechanical engineering from The Hong Kong Polytechnic University in November 2002.

Save as disclosed in this section, each of our senior management has not been a director of any other publicly listed company during the three years preceding the date of this Prospectus.

COMPANY SECRETARY

Ms. Poon Po Han Lisa is our company secretary.

Ms. POON Po Han Lisa (潘寶嫻), aged 55, is our company secretary and our chief financial officer. Ms. Poon is primarily responsible for financial planning and management and overseeing the accounting department of our Group.

Ms. Poon joined our Group in May 2008 and worked as our finance director and is responsible for our accounting, tax and financial matters. Ms. Poon has over 20 years of experience in financial management, accounting and taxation. From September 1982 to April 1992, Mr. Poon worked as a senior clerk of Nanyang Commercial Bank, Ltd. (南洋商業銀行). From April 1992 to February 1998, Ms. Poon worked as executive secretary of Collectly Industries Limited (集利實業有限公司). She was later employed by C.G.S. Finance Limited (中廣三峽財務有限公司) and worked as business manager from February 1998 to May 2001. From June 2001 to April 2006, she joined Sheung's Key Enterprises (H.K.) Ltd. (湘之傑(香港)實業有限公司) and worked as deputy general manager. From April 2006 to February 2008, Ms. Poon was employed by Prime & Co. Certified Public Accountants (德永會計師事務所) under Lau Leigh Choi Consultants Limited as accountant.

Ms. Poon obtained a degree of Bachelor of Science with honours in accounting from The University of Hull in the United Kingdom in July 2008, and a degree of master of corporate governance from The Hong Kong Polytechnic University (香港理工大學) in Hong Kong in October 2013.

Ms. Poon has been a member of the Association of Chartered Certified Accountants since January 2011. She was admitted as an associate of The Hong Kong Institute of Chartered Secretaries (香港特許秘書公會) in March 2014. Also in March 2014, Ms. Poon was elected Associate of The Institute of Chartered Secretaries and Administrators. In January 2016, Ms. Poon was admitted as a fellow of the Association of Chartered Certified Accountants.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit Committee

The Company has established an audit committee on 8 February 2018 with its written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board.

Our audit committee consists of three members, being Mr. Lo Ka Ki, Mr. Hung Chun Leung and Mr. Chan Bing Kai. Mr. Lo Ka Ki currently serves as the chairman of our audit committee.

Remuneration Committee

The Company has established a remuneration committee on 8 February 2018 with its written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to evaluate the performance and make recommendations on the remuneration of our senior management and to recommend members of the Board.

Our remuneration committee consists of three members, being Mr. Chan Bing Kai, Mr. Chan Tsan Lam and Mr. Lo Ka Ki. Mr. Chan Bing Kai currently serves as the chairman of our remuneration committee.

Nomination Committee

The Company has established a nomination committee on 8 February 2018 with its written terms of reference in compliance with paragraph A.5 of the Corporate Government Code set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on our Board and/or in senior management.

Our nomination committee consists of three members, being Mr. Chan Tsan Lam, Mr. Hung Chun Leung and Mr. Lo Ka Ki. Mr. Chan Tsan Lam currently serves as the chairman of our nomination committee.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind with reference to those paid by comparable companies, time commitment and the performance of the Company. The Company also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Company or executing their functions in relation to the operations of the Company. We regularly review and determine the remuneration and compensation packages (including incentive plans) of the Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and senior management and the performance of the Company.

COMPENSATION OF THE DIRECTORS AND SENIOR MANAGEMENT

For the years ended 31 December 2014, 2015, 2016 and the eight months ended 31 August 2017, the aggregate amount of fees, salaries, allowances, discretionary bonus, contributions to defined contribution scheme and other benefits in kind (if applicable) paid by the Company to our Directors were approximately HK\$3.5 million, HK\$3.1 million, HK\$2.9 million and HK\$2.2 million, respectively. Our Directors' remuneration is determined with reference to salaries paid by comparable companies, their experience, their responsibilities and their performance.

For the years ended 31 December 2014, 2015, 2016 and the eight months ended 31 August 2017, the aggregate amount of fees, salaries, allowances, discretionary bonus, contributions to defined contribution scheme and other benefits in kind (if applicable) paid by the Company to our senior management were approximately HK\$1.0 million, HK\$1.4 million, HK\$2.2 million and HK\$1.8 million, respectively. Our senior management remuneration is determined with reference to salaries paid by comparable companies, their experience, their responsibilities and their performance.

The fees, salaries, allowances, discretionary bonus, contributions to defined contribution scheme and other benefits in kind (if applicable) payable by the Company to the top five highest paid individuals (including Directors) for the years ended 31 December 2014, 2015, 2016 and the eight months ended 31 August 2017 were approximately HK\$5.6 million, HK\$5.0 million, HK\$4.8 million and HK\$3.4 million, respectively.

During the Track Record Period, no remuneration was paid by the Company to, or receivable by, our Directors or the five highest-paid individuals as an inducement to join or upon joining the Company. No compensation was paid by us to, or receivable by, our Directors, past Directors or the five highest-paid individuals for the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of the Company.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

The Company has appointed Innovax Capital Limited as our compliance adviser upon Listing pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise the Company in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchases;
- (c) where the Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where the business activities, developments or results of operation of our Group deviate from any forecast, estimate, or other information in this Prospectus; and
- (d) where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing.

CORPORATE GOVERNANCE CODE

Pursuant to code provision A.2.1 of the Corporate Governance Code, the responsibilities between the chairman and the chief executive officer of the Company should be segregated and should not be performed by the same individual. However, we do not have a separate chairman and chief executive officer of the Company and Mr. Chan currently performs these two roles. Our Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

Save as disclosed above, our Company expects to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports upon the Listing.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), the following persons will have interests or short positions in any 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, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

<u>Name of Shareholder(s)</u>	<u>Nature of interest</u>	<u>Immediately after the Capitalisation Issue and the Global Offering</u>	
		<u>Number of Shares held</u>	<u>Approximate percentage of shareholding</u>
Oceanic Green	Beneficial Owner	127,100,000 Shares (long position)	20.5%
New Strength	Beneficial Owner	127,100,000 Shares (long position)	20.5%
Gold Alliance	Beneficial Owner	94,395,000 Shares (long position)	15.225%
New Straits	Beneficial Owner	79,205,000 Shares (long position)	12.775%
Treasure Line	Beneficial Owner	24,800,000 Shares (long position)	4%
Flaming Sapphire	Beneficial Owner	12,400,000 Shares (long position)	2%
Mr. Chan ⁽¹⁾	Interest in controlled corporation	465,000,000 Shares (long position)	75%
Ms. Fung Suk Yee May ⁽²⁾	Interest of spouse	465,000,000 Shares (long position)	75%

Note:

- (1) Each of Oceanic Green, New Strength, Gold Alliance, New Straits, Treasure Line and Flaming Sapphire is wholly-owned by Mr. Chan, who is therefore deemed to be interested in all the Shares held by each of Oceanic Green, New Strength, Gold Alliance, New Straits, Treasure Line and Flaming Sapphire.
- (2) Ms. Fung Suk Yee May is the spouse of Mr. Chan. Therefore, she is deemed to be interested in the Shares in which Mr. Chan is interested for the purpose of the SFO.

For details of our Directors' and chief executive officer's interests in the Shares immediately following completion of the Global Offering, please refer to "Appendix VI – Statutory and General Information – 3.1 Disclosure of Interests".

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, our Directors are not aware of any other person who will, immediately following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised), have interests or short positions in any 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, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying voting rights in all circumstances at general meetings of our Company or any member of our Group and will be able, as a practical matter, to direct or influence the management of our Company.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company as at the date of this Prospectus and immediately after completion of the Capitalisation Issue and the Global Offering assuming the Over-allotment Option is not exercised.

<i>Authorised share capital:</i>		<i>HK\$</i>
2,000,000,000	Shares	200,000,000
 <i>Issued and to be issued, fully paid or credited as fully paid:</i>		
3,000	Shares in issue at the date of this Prospectus	300
464,997,000	Shares to be issued pursuant to the Capitalisation Issue	46,499,700
155,000,000	Shares to be issued pursuant to the Global Offering (excluding any Shares which may be issued under the Over-allotment Option)	15,500,000
<hr/>		<hr/>
<u>620,000,000</u>	Shares	<u>62,000,000</u>

If the Over-allotment Option is exercised in full, 23,250,000 additional Shares will be issued resulting in an aggregate of 643,250,000 Shares to be in issue.

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Capitalisation Issue and the Global Offering are made as described herein. It does not take into account any Shares which may be issued and allotted or repurchased by our Company under the Issuing Mandate or the Repurchase Mandate granted to our Directors.

RANKING

The Offer Shares and the Shares which may be issued and allotted under the Over-allotment Option will rank equally in all respects with all of the Shares now in issue or to be issued as mentioned in this Prospectus, and will qualify 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, except for the entitlements under the Capitalisation Issue.

SHARE CAPITAL

ISSUING MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal in unissued Shares with an aggregate number not exceeding the sum of

- (a) 20% of the total number of Shares in issue and to be issued immediately following completion of the Capitalisation Issue and the Global Offering, but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the Over-allotment Option; and
- (b) the total number of Shares repurchased by our Company (if any) pursuant to the Repurchase Mandate (as mentioned below).

The Issuing Mandate does not apply to situations where our Directors allot, issue or deal in Shares by way of a rights issue, scrip dividend schemes or similar arrangements providing for the allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares, or pursuant to the Capitalisation Issue or under the Global Offering. Our Directors may, in addition to Shares which they are authorised to issue under the Issuing Mandate, allot, issue or deal in the Shares pursuant to a right issue, the exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements or any other option scheme or similar arrangement for the time being adopted.

This Issuing Mandate will expire upon the earliest occurrence of any of the following:

- the conclusion of our Company's next annual general meeting; or
- the expiration of the period within which our Company's next annual general meeting is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- it is varied or revoked by an ordinary resolution passed by our Shareholders in general meeting.

For further details of this Issuing Mandate, please refer to "Statutory and General Information" in Appendix VI to this Prospectus.

SHARE CAPITAL

REPURCHASE MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of not exceeding 10% of the total number of Shares in issue and to be issued immediately following completion of the Capitalisation Issue and the Global Offering but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the Over-allotment Option. The Repurchase Mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “Statutory and General Information – Further information about our Group” in Appendix VI to this Prospectus.

The Repurchase Mandate will expire upon the earliest occurrence of any of the following:

- the conclusion of our Company’s next annual general meeting;
- the expiration of the period within which our Company’s next annual general meeting is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- it is varied or revoked by an ordinary resolution passed by our Shareholders in general meeting.

For further details, please refer to “Statutory and General Information – Further information about our Group” in Appendix VI to this Prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our combined financial information including the notes thereto, as set forth in the Accountants' Report in Appendix I to this Prospectus. The Accountants' Report has been prepared on the basis set out in Appendix I to this Prospectus and in accordance with our accounting policies that are in conformity with HKFRSs.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, some of which are beyond our control. Factors that could cause or contribute to such differences include those described in the section entitled "Risk Factors" and elsewhere in this Prospectus.

OVERVIEW

We are a well-established provider of integrated plastic solutions in the PRC. For over 17 years, we have specialised in mould design and fabrication services as well as plastic component design and manufacturing services. In recent years, we have also expanded our operations to the manufacturing of e-cigarette products as an OEM. Through over 17 years of development, we have maintained a balanced and diversified customer base by offering integrated plastic solutions to customers from diverse industries, and have established strong relationships with a diverse range of internationally recognised, industry-leading players.

We primarily generate our revenue from providing integrated plastic solutions and the manufacturing of e-cigarette products. We generated revenue of HK\$548.7 million, HK\$401.2 million, HK\$555.6 million, HK\$353.3 million and HK\$364.5 million for the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, respectively.

BASIS OF PRESENTATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 26 April 2017. In anticipation of the listing of our Shares on the Stock Exchange, we underwent the reorganisation, as detailed in the section headed "History, Reorganisation and Corporate Structure". We prepare our financial statements in accordance with HKFRSs under the historical cost convention except for the unlisted investments of key management insurance contracts and other investments classified as available-for-sale financial assets which are measured at fair value. All intra-group transactions, balances, income and expenses are eliminated on combination. See note 2 to our Accountants' Report set out in Appendix I to this Prospectus for details for our significant accounting policies.

FINANCIAL INFORMATION

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those set forth below.

Market demand for our products

Our future growth and profitability depend on the demand for our products. The demand for our products can be affected by a number of factors which are beyond our control. Historically, the demand for our e-cigarette products in 2015 was adversely affected by Imperial Tobacco's acquisition of LOEC as the client devoted resources to managing the acquisition and temporarily reduced its orders from us. Demand for our e-cigarette products recovered in 2016 upon the completion of the acquisition.

In addition, as the plastic components we produced have been used in a wide range of products, demand for our moulds and plastic components directly relates to demand from industries such as office furniture, office electronic product, home appliance, communication product and automobile industries. However, demand for the products of such industries is, in turn, determined by the purchasing power of consumers worldwide and forecasts by manufacturers and retailers of such products of projected consumer demand in upcoming periods.

Pricing of our products

Pricing pressure in the plastic industry has been significant and is likely to continue. Our industry is highly competitive and customers can choose alternative suppliers that can potentially undercut our pricing. If we fail to effectively compete with such alternative suppliers or at all, our customer orders may be reduced. In addition, cost-cutting initiatives adopted by our customers can result in downward pressure on the pricing of our products. Accordingly, we are subject to continuing pressure from customers to reduce the price of our products. If we are unable to generate sufficient production cost savings in the future, such as by improving our operating efficiencies and reducing expenses, to offset price reductions, our margins and profitability would be materially and adversely affected.

Changes in our business portfolio

Our gross profit margin varies depending on our business portfolio. During the Track Record Period, the manufacturing of e-cigarette products enjoyed higher gross profit margin compared with that of integrated plastic solutions. For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, the gross profit margin of our integrated plastic solution services was 21.8%, 21.1%, 17.0%, 16.5% and 16.7%, respectively and the gross profit margin of manufacturing of e-cigarette products was 30.9%, 30.6%, 30.5%, 30.4% and 30.3%, respectively. If we fail to manage our business portfolio, we may be unable to achieve a satisfactory gross profit margin.

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Changes in our material cost and labour cost

Our material cost and labour cost represented a significant portion of our cost of goods sold. For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, our direct material cost and direct labour cost amounted to HK\$336.2 million, HK\$234.8 million, HK\$344.8 million, HK\$216.6 million and HK\$238.2 million, respectively, representing 82.4%, 77.2%, 80.7%, 79.2% and 84.5%, respectively, of the cost of goods sold. Our ability to control and manage our material cost and labour cost will enhance our profitability. In addition, our contract price is based on our estimated cost (which primarily includes material cost and labour cost) plus a markup margin at the time when we provide the fee quote to our customers. Any fluctuation in the material cost and labour cost after such time will affect our profitability.

The following table sets forth a sensitivity analysis of direct materials cost.

	Increase/ decrease by 5%	Increase/ decrease by 10%	Increase/ decrease by 15%
	<u>(HK\$'000)</u>	<u>(HK\$'000)</u>	<u>(HK\$'000)</u>
Impact on gross profit			
Year ended 31 December 2014	±13,046	±26,091	±39,137
Year ended 31 December 2015	±8,846	±17,692	±26,538
Year ended 31 December 2016	±13,338	±26,676	±40,013
Eight months ended 31 August 2016	±8,109	±16,217	±24,326
Eight months ended 31 August 2017	±9,067	±18,133	±27,200

The following table sets forth a sensitivity analysis of direct labour cost.

	Increase/ decrease by 5%	Increase/ decrease by 10%	Increase/ decrease by 15%
	<u>(HK\$'000)</u>	<u>(HK\$'000)</u>	<u>(HK\$'000)</u>
Impact on gross profit			
Year ended 31 December 2014	±3,762	±7,524	±11,287
Year ended 31 December 2015	±2,892	±5,785	±8,677
Year ended 31 December 2016	±3,902	±7,803	±11,705
Eight months ended 31 August 2016	±2,720	±5,440	±8,160
Eight months ended 31 August 2017	±2,842	±5,684	±8,526

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Volatility in operating results caused by our relocation

We commenced construction of our new site in Huizhou in July 2012 and started relocating our manufacturing facilities to the new site in the third quarter of 2015. For the years ended 31 December 2015 and 2016, we incurred direct relocation expenses of HK\$1.0 million and HK\$3.2 million, respectively. In addition, our total bank borrowings increased significantly from 2015 to 2016 to fund the construction of phase I of our new site in Huizhou. In addition, we reduced the number of customer orders we took in 2015 as we expect our production volume will decrease in 2015 as a result of the planned relocation. Since our relocation is a one-off event, we do not expect the above factors will continue to materially affect our results of operation and financial position.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The discussion and analysis of our financial position and results of operations as included in this Prospectus are based on the combined financial statements prepared in accordance with the significant accounting policies set forth in note 2 in the Accountants' Report set out in Appendix I to this Prospectus, which conform with HKFRSs. Accounting methods, assumptions and estimates that underlie the preparation of a company's financial statements affect its financial position and results of operations reported. Such assumptions and estimates are made based on historical experience and various other assumptions that we believe to be reasonable, the results of which form the basis of judgments on our carrying amounts of assets and liabilities and our results. Results may differ under different assumptions or conditions.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our combined financial statements. We believe that the following are the significant accounting judgments and estimates in the preparation of its combined financial statements.

Useful lives of property, plant and equipment

The management determines the estimated useful lives of our property, plant and equipment based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives may differ as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

Impairment of property, plant and equipment and prepaid land lease payments

The management determines whether our property, plant and equipment and prepaid land lease payments are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of the property, plant and equipment and prepaid land lease payments, which is equal to the higher of fair value less costs of disposal or the value in use. Estimating the value in use requires the management to make an estimate of the expected

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future cash flows from the property, plant and equipment and prepaid land lease payments and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

Deferred tax assets

The recognition of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss in the period in which such a reversal takes place.

Allowance for bad and doubtful debts

The management determines the provisioning policy for bad and doubtful debts of our Group based on their evaluation of the collectability of the trade and other receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each debtors. If the financial conditions of these debtors were to deteriorate, resulting in an impairment of their ability to make payments, allowance will be required.

Allowance for inventories

The management reviews the condition of inventories at the end of each reporting period and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable. The management carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

Income taxes

We are subject to income taxes in the PRC and Hong Kong. Significant estimates are required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain, where the final tax outcome of these matters may be different from the amounts that were initially recorded and such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

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RESULTS OF OPERATIONS

The following table sets forth selected financial data from our combined statements of profit or loss and other comprehensive income for the periods indicated, details of which are set out in the Accountants' Report in Appendix I to this Prospectus.

	Year ended 31 December			Eight months ended 31 August	
	2014	2015	2016	2016	2017
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
				<i>(unaudited)</i>	
Revenue	548,679	401,178	555,561	353,321	364,454
Cost of goods sold	<u>(407,831)</u>	<u>(304,058)</u>	<u>(427,386)</u>	<u>(273,633)</u>	<u>(281,889)</u>
Gross profit	140,848	97,120	128,175	79,688	82,565
Other income	3,939	3,658	8,296	3,381	2,752
Selling and distribution costs	(10,435)	(8,522)	(11,570)	(7,984)	(8,884)
Administrative and other operating expenses	(57,432)	(55,473)	(66,584)	(44,758)	(42,932)
Finance costs	(6,634)	(13,087)	(13,320)	(9,166)	(9,790)
Listing expenses	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(14,706)</u>
Profit before tax	70,286	23,696	44,997	21,161	9,005
Income tax expenses	<u>(17,650)</u>	<u>(5,935)</u>	<u>(11,140)</u>	<u>(5,086)</u>	<u>(5,995)</u>
Profit for the year/period	52,636	17,761	33,857	16,075	3,010
Other comprehensive (loss)/income	<u>(2,421)</u>	<u>(11,542)</u>	<u>(28,937)</u>	<u>(14,636)</u>	<u>10,041</u>
Total comprehensive income for the year/period	<u><u>50,215</u></u>	<u><u>6,219</u></u>	<u><u>4,920</u></u>	<u><u>1,439</u></u>	<u><u>13,051</u></u>

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DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Revenue

We primarily generate our revenue from providing integrated plastic solutions and the manufacturing of e-cigarette products. We generated revenue of HK\$548.7 million, HK\$401.2 million, HK\$555.6 million, HK\$353.3 million and HK\$364.5 million for the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, respectively. The following table sets forth our revenue by business segment for the periods indicated.

	Year ended 31 December						Eight months ended 31 August			
	2014		2015		2016		2016		2017	
	(HK\$'000)	% of total	(HK\$'000)	% of total	(HK\$'000)	% of total	(HK\$'000)	% of total	(HK\$'000)	% of total
	<i>(unaudited)</i>									
Integrated plastic solutions	318,152	58.0	270,660	67.5	304,105	54.7	199,181	56.4	203,711	55.9
Manufacturing of e-cigarette products	230,527	42.0	130,518	32.5	251,456	45.3	154,140	43.6	160,743	44.1
Total	548,679	100.0	401,178	100.0	555,561	100.0	353,321	100.0	364,454	100.0

The fluctuation in our revenue during the Track Record Period was primarily due to the fluctuation in the revenue generated from the manufacturing of e-cigarette products. See “– Results of Operations”.

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Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by business segment for the periods indicated.

	Year ended 31 December						Eight months ended 31 August			
	2014		2015		2016		2016		2017	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Integrated plastic solutions	69,508	21.8	57,215	21.1	51,565	17.0	32,772	16.5	33,940	16.7
Manufacturing of e-cigarette products	71,340	30.9	39,905	30.6	76,610	30.5	46,916	30.4	48,625	30.3
Combined	<u>140,848</u>	25.7	<u>97,120</u>	24.2	<u>128,175</u>	23.1	<u>79,688</u>	22.6	<u>82,565</u>	22.7

For the years ended 31 December 2014, 2015, and 2016 and the eight months ended 31 August 2016 and 2017, our overall gross profit was HK\$140.8 million, HK\$97.1 million, HK\$128.2 million, HK\$79.7 million and HK\$82.6 million, respectively, and the overall gross profit margin was 25.7%, 24.2%, 23.1%, 22.6% and 22.7%, respectively.

The fluctuation in our overall gross profit and gross profit margin during the Track Record Period was primarily due to the fluctuation in the revenue we generated from manufacturing of e-cigarette products, which generally enjoys higher gross profit margin as compared to that of the integrated plastic solutions, as well as the relatively lower gross profit margin we recorded when we initiated a number of integrated plastic solution projects and fabricated more moulds.

Integrated plastic solutions

For the years ended 31 December 2014, 2015, and 2016 and the eight months ended 31 August 2016 and 2017, our gross profit for integrated plastic solutions was HK\$69.5 million, HK\$57.2 million, HK\$51.6 million, HK\$32.8 million and HK\$33.9 million, respectively, and the gross profit margin for integrated plastic solution was 21.8%, 21.1%, 17.0%, 16.5% and 16.7%, respectively.

The fluctuation in the gross profit and gross profit margin for integrated plastic solution in 2016 was primarily due to more integrated plastic solution projects we initiated in 2016 such as new integrated plastic solution projects for one of our five largest customers for the eight

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months ended 31 August 2017, Customer F and the low gross profit margin we generally record at initial stage of a project. The relatively lower gross profit margin for integrated plastic solutions for the eight months ended 31 August 2017 was primarily due to the lower gross profit margin recorded by Sun Leader Shenzhen and Tian Chang Shenzhen caused by the substantially reduced production in 2017 as a result of the relocation while our direct labour cost did not reduce simultaneously. See “– Results of Operations”.

Manufacturing of e-cigarette products

For the years ended 31 December 2014, 2015, and 2016 and the eight months ended 31 August 2016 and 2017, the gross profit for the manufacturing of e-cigarette products was HK\$71.3 million, HK\$39.9 million, HK\$76.6 million, HK\$46.9 million and HK\$48.6 million, respectively, and the gross profit margin for the manufacturing of e-cigarette products was 30.9%, 30.6%, 30.5%, 30.4% and 30.3%, respectively. The fluctuation in the gross profit for the manufacturing of e-cigarette products over the Track Record Period was primarily due to the fluctuation in the revenue generated from the manufacturing of e-cigarette products while the gross profit margin for the manufacturing of e-cigarette products remained stable. See “– Results of Operations”.

Cost of Goods Sold

Our cost of goods sold primarily consists of direct materials, direct labour and manufacturing overhead. The following table sets forth the components of cost of goods sold for the periods indicated.

	Year ended 31 December						Eight months ended 31 August			
	2014		2015		2016		2016		2017	
	(HK\$'000)	% of total	(HK\$'000)	% of total	(HK\$'000)	% of total	(HK\$'000)	% of total	(HK\$'000)	% of total
	(unaudited)									
Direct materials ⁽¹⁾	260,914	64.0	176,921	58.2	266,756	62.4	162,174	59.3	181,331	64.3
Direct labour	75,244	18.4	57,845	19.0	78,034	18.3	54,401	19.9	56,842	20.2
Manufacturing overhead ⁽²⁾	71,673	17.6	69,292	22.8	82,596	19.3	57,058	20.8	43,716	15.5
Total	407,831	100.0	304,058	100.0	427,386	100.0	273,633	100.0	281,889	100.0

Notes:

- (1) Includes raw material and component expenses.
- (2) Includes, amongst others, subcontracting fees, consumable used, depreciation, factory rent, utilities charges, repair and maintenance, inspection fees, insurance and other expenses.

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Other Income

Other income primarily consists of exchange gain, mould testing fee, management service income, rental and utilities recharge income and sales of scrap materials. Mould testing fee represented the income we generated from mould testing services we provided to Independent Third Party customers and Fast Precision for moulds not fabricated by us. Management service income represented the income from our management services provided to Fast Precision. Rental and utilities recharge represented the rent we charge Fast Precision Huizhou and the utilities charges on such property leased to Fast Precision Huizhou. Sales of scrap materials represented the income we generated from disposal of raw materials. Fast Precision and Fast Precision Huizhou were related to us before 29 March 2017. The following table sets forth the breakdown of other income for the periods indicated.

	Year ended 31 December						Eight months ended 31 August			
	2014		2015		2016		2016		2017	
	(HK\$'000)	% of total	(HK\$'000)	% of total	(HK\$'000)	% of total	(HK\$'000)	% of total	(HK\$'000)	% of total
	<i>(unaudited)</i>									
Bank interest										
income	360	9.2	193	5.3	76	0.9	38	1.2	29	1.1
Exchange gain, net	1,500	38.1	2,374	64.9	2,756	33.2	902	26.7	-	-
Mould testing fee	950	24.1	255	7.0	292	3.5	214	6.3	-	-
Management										
service income	302	7.7	180	4.9	180	2.2	120	3.5	120	4.4
Rental and utilities										
recharge income	-	-	623	17.0	1,595	19.3	1,130	33.4	1,091	39.6
Sales of scrap										
materials	714	18.1	6	0.2	2,690	32.4	360	10.6	1,104	40.1
Sundry income	113	2.8	27	0.7	707	8.5	617	18.3	408	14.8
	<u>3,939</u>	<u>100.0</u>	<u>3,658</u>	<u>100.0</u>	<u>8,296</u>	<u>100.0</u>	<u>3,381</u>	<u>100.0</u>	<u>2,752</u>	<u>100.0</u>

For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, our other income was HK\$3.9 million, HK\$3.7 million, HK\$8.3 million, HK\$3.4 million and HK\$2.8 million, respectively. Our other income increased in 2016, primarily due to the income we generated from sales of raw materials that are no longer useful. Our other income decreased for the eight months ended 31 August 2017, primarily due to no exchange gain and mould testing fee recorded for the eight months ended 31 August 2017, which was partially offset by the increased sales from sales of scrap materials.

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Selling and Distribution Costs

Selling and distribution costs primarily include commission paid to our sales staff and local transportation costs. For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, our selling and distribution costs were HK\$10.4 million, HK\$8.5 million, HK\$11.6 million, HK\$8.0 million and HK\$8.9 million, respectively, representing approximately 1.9%, 2.1%, 2.1%, 2.3% and 2.4% of our revenue, respectively.

Administrative and Other Operating Expenses

Administrative and other operating expenses primarily consist of staff costs, rental, auditor's remuneration, bad debts, consultation fee, depreciation and amortisation and other tax and other costs and expenses. The following table sets forth the breakdown of administrative and other operating expenses for the periods indicated.

	Year ended 31 December						Eight months ended 31 August			
	2014		2015		2016		2016		2017	
	(HK\$'000)	% of total	(HK\$'000)	% of total	(HK\$'000)	% of total	(HK\$'000)	% of total	(HK\$'000)	% of total
	(unaudited)									
Staff cost ⁽¹⁾	27,991	48.7	27,211	49.1	34,937	52.5	23,097	51.6	24,718	57.6
Rental	2,201	3.8	2,289	4.1	1,901	2.9	1,135	2.5	1,100	2.6
Auditor's remuneration	459	0.8	406	0.7	456	0.7	84	0.2	126	0.3
Bad debts	211	0.4	-	-	2	-	-	-	-	-
Consultation fee	1,845	3.2	2,145	3.9	2,411	3.6	1,108	2.5	1,244	2.9
Depreciation and amortisation	5,455	9.5	5,302	9.6	6,021	9.0	4,048	9.0	3,942	9.2
Electricity fee	1,272	2.2	1,233	2.2	2,025	3.0	1,277	2.9	1,163	2.7
Entertainment expenses	3,015	5.2	2,550	4.6	2,093	3.1	1,263	2.8	1,355	3.2
Exchange difference	-	-	-	-	-	-	-	-	756	1.8
Loss on disposal of fixed assets	2,489	4.3	451	0.8	435	0.7	194	0.4	137	0.3
Motor vehicle expenses	1,853	3.2	1,265	2.3	1,661	2.5	1,054	2.4	1,153	2.7
Direct relocation expenses ⁽²⁾	-	-	984	1.8	3,213	4.8	3,213	7.2	-	-
Other taxes ⁽³⁾	1,860	3.2	3,026	5.5	3,070	4.6	1,975	4.4	2,163	5.0
Others ⁽⁴⁾	8,781	15.5	8,611	15.4	8,359	12.6	6,310	14.1	5,075	11.7
Total	57,432	100.0	55,473	100.0	66,584	100.0	44,758	100.0	42,932	100.0

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Notes:

- (1) Includes staff salaries, director remuneration, staff welfare and allowance, social security insurance, mandatory provident fund, medical insurance and staff messing.
- (2) Includes transportation expenses of relocating plants and machinery to our new site in Huizhou and the testing expenses of our newly installed or relocated equipment.
- (3) Includes import tariff, property tax, stamp duty, land use rights tax and other applicable tax.
- (4) Includes printing and stationery, repair and maintenance, travelling expenses and other expenses.

For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, our administrative and other operating expenses were HK\$57.4 million, HK\$55.5 million, HK\$66.6 million, HK\$44.8 million, and HK\$42.9 million, respectively. The increase in the administrative and other operating expenses in 2016 was primarily due to the increased staff cost associated with the increase in the total number of our staff caused by our production expansion after the relocation, as well as the increased direct relocation expenses caused by the relocation to our new site in Huizhou starting from the third quarter of 2015. The decrease in the administrative and other operating expenses for the eight months ended 31 August 2017 was primarily due to the direct relocation expenses we incurred in 2016 but not in 2017 as we completed substantial part of our relocation in the first half of 2016. The decrease was partially offset by the increased staff cost and the exchange loss we recorded in 2017 caused by the appreciation of Renminbi.

Finance Costs

Finance costs primarily represent interest expenses on bank loans, finance leases, payables for construction in progress and shareholder's loan. For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, our finance costs were HK\$6.6 million, HK\$13.1 million, HK\$13.3 million, HK\$9.2 million and HK\$9.8 million, respectively. The general increase finance costs was primarily due to an increase in interest-bearing borrowings and a decrease in borrowing costs capitalised into property, plant and equipment. See “– Results of Operations”.

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Income Tax Expenses

Income tax expenses represent total current and deferred tax expenses. We are subject to PRC enterprise income tax and Hong Kong profits tax as our operating subsidiaries are located in the PRC and Hong Kong, respectively. The following table sets forth the breakdown of our income tax expenses for the periods indicated.

	Year ended 31 December			Eight months ended 31 August	
	2014	2015	2016	2016	2017
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
				(unaudited)	
Current tax					
PRC Enterprise					
Income Tax	6,864	5,099	8,322	3,637	2,264
Hong Kong Profits					
Tax	<u>110</u>	<u>1,804</u>	<u>2,812</u>	<u>1,750</u>	<u>996</u>
	<u>6,974</u>	<u>6,903</u>	<u>11,134</u>	<u>5,387</u>	<u>3,260</u>
Deferred tax					
Changes in temporary					
differences	9,604	3,515	97	(149)	(1,121)
Utilisation (Benefit)					
of tax losses					
recognised	<u>1,072</u>	<u>(4,483)</u>	<u>(91)</u>	<u>(152)</u>	<u>3,856</u>
	<u>10,676</u>	<u>(968)</u>	<u>6</u>	<u>(301)</u>	<u>2,735</u>
Total	<u><u>17,650</u></u>	<u><u>5,935</u></u>	<u><u>11,140</u></u>	<u><u>5,086</u></u>	<u><u>5,995</u></u>

Hong Kong profits tax was calculated at 16.5% of the estimated assessable profits during the Track Record Period. Under the EIT Law and relevant implementation regulations, the PRC enterprise income tax was calculated at 25% of an entity's estimated assessable profits.

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During the Track Record Period, we were not subject to any preferential tax treatment or tax benefit. For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, our income tax expenses were HK\$17.7 million, HK\$5.9 million, HK\$11.1 million, HK\$5.1 million and HK\$6.0 million, respectively. The effective tax rate of our Group for the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017 was approximately 25.1%, 25.0%, 24.8%, 24.0% and 66.6%, respectively. The following table sets forth the effective tax rate of our Group by geographic region during the Track Record Period.

	Year ended 31 December			Eight months ended 31 August	
	2014	2015	2016	2016	2017
			(%)		
				(unaudited)	
PRC Subsidiaries	26.2	27.5	27.2	26.6	25.8
HK Subsidiaries	20.9	20.6	19.4	19.7	— ⁽¹⁾
Consolidated	25.1	25.0	24.8	24.0	66.6

Note:

- (1) Our HK Subsidiaries recorded loss before tax for the eight months ended 31 August 2017 primarily due to the listing expenses incurred by our HK Subsidiaries. Taxable profit was reported by HK Subsidiaries upon adding back the listing expenses and other non-deductable expenses.

The effective tax rate of our PRC Subsidiaries remained relatively stable during the Track Record Period which was slightly higher than the statutory tax rate in the PRC primarily due to certain non-deductable expenses incurred by our PRC Subsidiaries during each of the reporting period.

The effective tax rate of our HK Subsidiaries during the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 was higher than the statutory tax rate in Hong Kong, primarily due to the non-deductable interest expenses incurred by our HK Subsidiaries. The fluctuation in the effective tax rate of our HK Subsidiaries was primarily due to the fluctuation in the non-deductable interest expenses incurred by our HK Subsidiaries. If there were no such factors as discussed, the effective tax rate of our HK Subsidiaries for the years ended 31 December 2014, 2015 and 2016 and for the eight months ended 31 August 2016 would have been 17.3%, 15.7%, 16.9% and 16.2%, respectively.

The increase in the effective tax rate of our Group as a whole for the eight months ended 31 August 2017 was primarily due to the non-deductable listing expenses of HK\$14.7 million and interest expenses of HK\$1.2 million. If there were no such factors as discussed, the effective tax rate of our Group as a whole for the eight months ended 31 August 2017 would have been 24.2%.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any tax dispute or any unresolved tax issues with relevant tax authorities. Therefore, we did not make any provision for taxation other than the ordinary income tax payable.

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Profit for the Year/Period

For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, our profit for the year was HK\$52.6 million, HK\$17.8 million, HK\$33.9 million, HK\$16.1 million and HK\$3.0 million, respectively. The decrease in the profit for the eight months ended 31 August 2017 was primarily due to listing expenses of HK\$14.7 million we recognised for the eight months ended 31 August 2017.

Other Comprehensive (Loss)/Income

During the Track Record Period, other comprehensive (loss)/income primarily consisted of changes in the fair value of our available-for-sale financial assets and exchange difference on combination. For details of our available-for-sale financial assets, see “– Analysis of Financial Position – Available-for-sale Financial Assets”. Exchange difference on combination under other comprehensive loss or income refers to the loss or income primarily caused by the fluctuation in the exchange rate between RMB and Hong Kong dollars on the translation of assets and liabilities of our PRC Subsidiaries from RMB to Hong Kong dollars upon combination. For the years ended 31 December 2014, 2015 and 2016, we recorded other comprehensive loss from exchange difference on combination of HK\$2.4 million, HK\$11.9 million and HK\$29.1 million, respectively, primarily caused by the depreciation of RMB in such years and we recorded other comprehensive income from exchange difference on combination of HK\$9.8 million for the eight months ended 31 August 2017, primarily due to the appreciation of RMB.

RESULTS OF OPERATIONS

Eight months ended 31 August 2017 Compared with eight months ended 31 August 2016

Revenue

Our revenue slightly increased by HK\$11.1 million or 3.2%, from HK\$353.3 million for the eight months ended 31 August 2016 to HK\$364.5 million for the eight months ended 31 August 2017, primarily due to the increase in the revenue generated from the manufacturing of e-cigarette products and providing integrated plastic solutions.

Our revenue generated from integrated plastic solutions increased by HK\$4.5 million or 2.3%, from HK\$199.2 million for the eight months ended 31 August 2016 to HK\$203.7 million for the eight months ended 31 August 2017, primarily due to an increase in the revenue generated from Customer F and Customer C, which was partially offset by a decrease in the revenue generated from Customer D. Our revenue generated from manufacturing of e-cigarette products increased by HK\$6.6 million or 4.3%, from HK\$154.1 million for the eight months ended 31 August 2016 to HK\$160.7 million for the eight months ended 31 August 2017, primarily due to an increase in the revenue generated from Fontem, our largest customer during the Track Record Period.

Cost of Goods Sold

Our cost of goods sold slightly increased by HK\$8.3 million or 3.0%, from HK\$273.6 million for the eight months ended 31 August 2016 to HK\$281.9 million for the eight months ended 31 August 2017, generally in line with the increase in the revenue generated.

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Gross Profit

Our gross profit increased by HK\$2.9 million, or 3.6%, from HK\$79.7 million for the eight months ended 31 August 2016 to HK\$82.6 million for the eight months ended 31 August 2017, primarily due to the increase in the revenue generated for the eight months ended 31 August 2017.

Our gross profit margin remained stable at 22.6% and 22.7% for the eight months ended 31 August 2016 and 2017, respectively.

Our gross profit margin for integrated plastic solutions remained relatively stable at 16.5% and 16.7%, respectively, for the eight months ended 31 August 2016 and 2017. Our gross profit margin for the manufacturing of e-cigarette products was 30.4% and 30.3%, respectively, for the eight months ended 31 August 2016 and 2017, which was relatively stable as well.

Other Income

Other income decreased by HK\$0.6 million or 18.6%, from HK\$3.4 million for the eight months ended 31 August 2016 to HK\$2.8 million for the eight months ended 31 August 2017, primarily due to a decrease of HK\$0.9 million in exchange gain and a decrease of HK\$0.2 million in mould testing fee, which was partially offset by an increase of HK\$0.7 million in sale of scrap materials.

Selling and Distribution Costs

Our selling and distribution costs increased by HK\$0.9 million or 11.3%, from HK\$8.0 million for the eight months ended 31 August 2016 to HK\$8.9 million for the eight months ended 31 August 2017, primarily due to an increase in transportation expenses associated with the increased transportation volume.

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Administrative and Other Operating Expenses

Our administrative and other operating expenses decreased by HK\$1.8 million or 4.1%, from HK\$44.8 million for the eight months ended 31 August 2016 to HK\$42.9 million for the eight months ended 31 August 2017, primarily due to the direct relocation expenses we incurred in 2016 but not in 2017 as a result of our completion of relocation in 2016, which was partially offset by the increased staff cost associated with the increase in the salary level of our staff and the exchange loss we recorded in 2017 caused by the appreciation of Renminbi.

Finance Costs

Our finance costs increased from HK\$9.2 million for the eight months ended 31 August 2016 to HK\$9.8 million for the eight months ended 31 August 2017, primarily due to the increase in the interest-bearing borrowings mainly for working capital of the Group.

Listing Expenses

We recognised listing expenses of HK\$14.7 million for the eight months ended 31 August 2017. For details of the listing expenses, see “– Listing Expenses”.

Income Tax Expenses

Our income tax expenses increased slightly from HK\$5.1 million for the eight months ended 31 August 2016 to HK\$6.0 million for the eight months ended 31 August 2017, primarily due to an increase in the taxable profits for the eight months ended 31 August 2017.

The effective tax rate of our Group for the eight months ended 31 August 2016 and 2017 was 24.0% and 66.6%, respectively. The effective tax rate of 66.6% for the eight months ended 31 August 2017 was primarily due to the listing expenses of HK\$14.7 million and the interest of HK\$1.2 million on the loans from the ultimate controlling party, which is non-deductible for tax purposes. If there were no such factors as discussed, our effective tax rate for the eight months ended 31 August 2017 would have been 24.2%.

Profit for the Period

Based on the above factors, profit for the period decreased from HK\$16.1 million for the eight months ended 31 August 2016 to HK\$3.0 million for the eight months ended 31 August 2017.

Year ended 31 December 2016 Compared with Year ended 31 December 2015

Revenue

Our revenue increased by HK\$154.4 million, or 38.5%, from HK\$401.2 million for the year ended 31 December 2015 to HK\$555.6 million for the year ended 31 December 2016, primarily due to an increase of HK\$120.9 million in the revenue generated from manufacturing of e-cigarette products.

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Our revenue generated from integrated plastic solutions increased by HK\$33.4 million, or 12.4%, from HK\$270.7 million for the year ended 31 December 2015 to HK\$304.1 million for the year ended 31 December 2016, primarily due to the increase in the customer orders we received in 2016 from several major customers for their new integrated plastic solution projects. Our revenue generated from manufacturing of e-cigarette products increased by HK\$120.9 million, or 92.7%, from HK\$130.5 million for the year ended 31 December 2015 to HK\$251.5 million for the year ended 31 December 2016, as customer orders from Fontem recovered in 2016 upon the completion of its acquisition of LOEC in June 2015. In 2015, customer orders for e-cigarette products decreased as a result of Imperial Tobacco's acquisition of LOEC, which led to a temporary decrease in demand for our products. See "Business – Customers – Our Relationship with LOEC and Fontem".

Cost of Goods Sold

Our cost of goods sold increased by HK\$123.3 million, or 40.6%, from HK\$304.1 million for the year ended 31 December 2015 to HK\$427.4 million for the year ended 31 December 2016, primarily due to an increase of HK\$110.0 million in direct material cost and direct labour cost, in line with our increased revenue.

Gross Profit

Our gross profit increased by HK\$31.1 million, or 32.0%, from HK\$97.1 million for the year ended 31 December 2015 to HK\$128.2 million for the year ended 31 December 2016, primarily due to the increase in the revenue generated in 2016.

Our gross profit margin for the year ended 31 December 2016 was 23.1%, which decreased by 1.1 percentage points compared to a gross profit margin of 24.2% for the year ended 31 December 2015. The decrease was primarily due to the decrease in the gross profit margin we recorded for integrated plastic solutions in 2016.

Our gross profit margin for integrated plastic solution decreased from 21.1% for the year ended 31 December 2015 to 17.0% for the year ended 31 December 2016, as we initiated a number of integrated plastic solution projects and fabricated more moulds in 2016 as compared with that in 2015 for our customers. In an integrated plastic solution project, we generally record relatively lower gross profit margin at the initial stage of a project. Our gross profit margin for the manufacturing of e-cigarette products remained stable at 30.6% and 30.5%, respectively, for the years ended 31 December 2015 and 2016.

Other Income

Our other income increased by HK\$4.6 million, or 126.8%, from HK\$3.7 million for the year ended 31 December 2015 to HK\$8.3 million for the year ended 31 December 2016, primarily due to an increase of HK\$2.7 million in sales of scrap materials before we relocated to Huizhou and an increase of HK\$1.0 million in rental and utilities recharge income we charged Fast Precision Huizhou for their lease of a portion of our production plant in Huizhou.

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Selling and Distribution Costs

Our selling and distribution costs increased by HK\$3.1 million, or 35.8%, from HK\$8.5 million for the year ended 31 December 2015 to HK\$11.6 million for the year ended 31 December 2016, primarily due to an increase of HK\$4.1 million in the transportation costs caused by the increased sale of plastic components in 2016, which was partially offset by a decrease of HK\$1.1 million in the sales commission paid as we terminated commission paid to our staff for certain customers with whom we believe we have already established stable relationships. We used to pay sales commission to our staff for customers they newly developed.

Administrative and Other Operating Expenses

Our administrative and other operating expenses increased by HK\$11.1 million, or 20.0%, from HK\$55.5 million for the year ended 31 December 2015 to HK\$66.6 million for the year ended 31 December 2016, primarily due to an increase of HK\$7.7 million in staff costs caused by the increase in the number of our staff and an increase of HK\$2.2 million in the direct relocation expenses caused by our relocation to Huizhou.

Finance Costs

Our finance costs slightly increased by HK\$0.2 million, or 1.8%, from HK\$13.1 million for the year ended 31 December 2015 to HK\$13.3 million for the year ended 31 December 2016, primarily due to the borrowing cost of HK\$1.1 million associated with the construction of our new site in Huizhou we capitalised into property, plant and equipment in 2015 but did not capitalise in 2016, as well as an increase of HK\$0.4 million in the financial charges on obligations under finance leases associated with the newly leased equipment in our new site in Huizhou. The increase was partially offset by a decrease of HK\$1.2 million in the interest on payables for construction in progress.

Income Tax Expenses

Our income tax expenses increased by HK\$5.2 million, or 87.7%, from HK\$5.9 million for the year ended 31 December 2015 to HK\$11.1 million for the year ended 31 December 2016, primarily due to the increase in profit before tax. The effective tax rate of our Group for the years ended 31 December 2015 and 2016 was approximately 25.0% and 24.8%, respectively.

Profit for the Year

Based on the above factors, profit for the year increased by HK\$16.1 million, or 90.6%, from HK\$17.8 million for the year ended 31 December 2015 to HK\$33.9 million for the year ended 31 December 2016. Our net profit margin for the year ended 31 December 2015 and 2016 was 4.4% and 6.1%, respectively. The increase in the net profit margin was primarily due to the increase in the revenue generated from manufacturing of e-cigarette products in 2016, which generally enjoys higher gross profit margin as compared to that of integrated plastic solutions. The increase was also due to the lower profit margin we recorded in 2015 as a result of our relocation.

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Year ended 31 December 2015 Compared with Year ended 31 December 2014

Revenue

Our revenue decreased by HK\$147.5 million, or 26.9%, from HK\$548.7 million for the year ended 31 December 2014 to HK\$401.2 million for the year ended 31 December 2015, primarily due to a decrease of HK\$100.0 million in the revenue generated from manufacturing of e-cigarette products.

Our revenue generated from integrated plastic solutions decreased by HK\$47.5 million, or 14.9%, from HK\$318.2 million for the year ended 31 December 2014 to HK\$270.7 million for the year ended 31 December 2015, as we reduced the number of customer orders we took in 2015 as we expect our production volume will decrease in 2015 as a result of the relocation to be commenced.

Our revenue generated from manufacturing of e-cigarette products decreased by HK\$100.0 million, or 43.4%, from HK\$230.5 million for the year ended 31 December 2014 to HK\$130.5 million for the year ended 31 December 2015, primarily due to the decreased customer orders from Fontem (and before June 2015, LOEC) in 2015 associated with Imperial Tobacco's acquisition of LOEC in 2015. See "Business – Customers – Our Relationship with LOEC and Fontem".

Cost of Goods Sold

Our cost of goods sold decreased by HK\$103.7 million, or 25.4%, from HK\$407.8 million for the year ended 31 December 2014 to HK\$304.1 million for the year ended 31 December 2015, primarily due to a decrease of HK\$101.4 million in the direct material cost and direct labour cost, in line with the decreased revenue in 2015.

Gross Profit

Our gross profit decreased by HK\$43.7 million, or 31.0%, from HK\$140.8 million for the year ended 31 December 2014 to HK\$97.1 million for the year ended 31 December 2015, primarily due to a decrease in the revenue generated in 2015.

Our gross profit margin for the year ended 31 December 2015 was 24.2%, which decreased by 1.5 percentage points compared to a gross profit margin of 25.7% for the year ended 31 December 2014. The decrease was primarily due to the decrease in the revenue generated from manufacturing of e-cigarette products, which generally enjoys higher gross profit margin as compared to that of the integrated plastic solutions.

Our gross profit margin for integrated plastic solutions remained relatively stable at 21.8% and 21.1%, respectively, for the years ended 31 December 2014 and 2015. Our gross profit margin for the manufacturing of e-cigarette products was 30.9% and 30.6%, respectively, for the years ended 31 December 2014 and 2015, which was relatively stable as well.

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Other Income

Our other income decreased by HK\$0.2 million, or 7.1%, from HK\$3.9 million for the year ended 31 December 2014 to HK\$3.7 million for the year ended 31 December 2015, primarily due to a decrease of HK\$0.7 million in sales of scrap materials in 2015 and a decrease of HK\$0.7 million in mould testing fee income as a result of decreased mould testing request from customers for mould fabricated by third parties, which was partially offset by an increase of HK\$0.8 million in exchange gain resulted by the depreciation of the Renminbi.

Selling and Distribution Costs

Our selling and distribution costs decreased by HK\$1.9 million, or 18.3%, from HK\$10.4 million for the year ended 31 December 2014 to HK\$8.5 million for the year ended 31 December 2015, primarily due to a decrease of HK\$0.5 million in the commission paid to our sales staff and a decrease of HK\$1.4 million in the transportation costs associated with the decreased sales of plastic components in 2015.

Administrative and Other Operating Expenses

Our administrative and other operating expenses decreased by HK\$1.9 million, or 3.4%, from HK\$57.4 million for the year ended 31 December 2014 to HK\$55.5 million for the year ended 31 December 2015, primarily due to a loss of HK\$2.0 million in the disposal of certain equipment and machinery in 2014.

Finance Costs

Our finance costs increased by HK\$6.5 million, or 97.3%, from HK\$6.6 million for the year ended 31 December 2014 to HK\$13.1 million for the year ended 31 December 2015, primarily due to an increase of HK\$3.5 million in the interest on payables for construction in progress and an increase of HK\$1.2 million in the interest on interest-bearing borrowings we had in 2015, for the construction of our new site in Huizhou. The increase was also due to a decrease of HK\$2.3 million in the borrowing costs associated with the construction of our new site in Huizhou that we capitalised into property, plant and equipment in 2015.

Income Tax Expenses

Our income tax expenses decreased by HK\$11.8 million, or 66.4%, from HK\$17.7 million for the year ended 31 December 2014 to HK\$5.9 million for the year ended 31 December 2015, primarily due to the decrease in profit before tax. The effective tax rate of our Group for the years ended 31 December 2014 and 2015 was approximately 25.1% and 25.0%, respectively.

Profit for the Year

Based on the above factors, profit for the year decreased by HK\$34.8 million, or 66.3%, from HK\$52.6 million for the year ended 31 December 2014 to HK\$17.8 million for the year ended 31 December 2015. Our net profit margin for the year ended 31 December 2014 and 2015 was 9.6% and 4.4%, respectively. The decrease in the net profit margin was primarily due to the decrease in the revenue and gross profit generated in 2015 while certain expenses such as administrative cost remained stable.

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ANALYSIS OF FINANCIAL POSITION

The following table sets forth our combined statements of financial position as of the dates indicated.

	As of 31 December			As of
	2014	2015	2016	31 August
	(HK\$'000)	(HK\$'000)	(HK\$'000)	2017 (HK\$'000)
Assets				
Non-current assets				
Property, plant and equipment	370,758	404,373	372,550	398,839
Prepaid land lease payments	53,260	50,049	45,112	45,944
Other non-current assets ⁽¹⁾	4,676	14,631	14,967	13,400
	<u>428,694</u>	<u>469,053</u>	<u>432,629</u>	<u>458,183</u>
Current assets				
Trade and other receivables	110,645	110,566	114,169	115,735
Inventories	26,835	44,459	65,698	51,727
Bank balances and cash	21,904	25,607	18,919	33,955
Other current assets ⁽²⁾	16,440	5,555	1,063	1,906
	<u>175,824</u>	<u>186,187</u>	<u>199,849</u>	<u>203,323</u>
Liabilities				
Current liabilities				
Interest-bearing borrowings	73,184	125,056	140,834	184,038
Trade and other payables	66,783	84,892	90,325	96,075
Payables for construction in progress	47,870	55,743	26,012	30,308
Other current liabilities ⁽³⁾	7,271	11,230	19,121	14,700
	<u>195,108</u>	<u>276,921</u>	<u>276,292</u>	<u>325,121</u>
Net current liabilities	<u>(19,284)</u>	<u>(90,734)</u>	<u>(76,443)</u>	<u>(121,798)</u>
Total assets less current liabilities	<u>409,410</u>	<u>378,319</u>	<u>356,186</u>	<u>336,385</u>

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	As of 31 December			As of
	2014	2015	2016	31 August
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	2017 <i>(HK\$'000)</i>
Non-current liabilities				
Interest-bearing borrowings	57,150	42,700	33,741	19,773
Loans from the ultimate controlling party	34,480	30,529	28,598	27,176
Payables for construction in progress	68,288	35,003	17,414	5,013
Other non-current liabilities ⁽⁴⁾	13,543	27,919	29,345	24,284
	<u>173,461</u>	<u>136,151</u>	<u>109,098</u>	<u>76,246</u>
Net assets	<u>235,949</u>	<u>242,168</u>	<u>247,088</u>	<u>260,139</u>
Total equity	<u>235,949</u>	<u>242,168</u>	<u>247,088</u>	<u>260,139</u>

Notes:

- (1) Include available-for-sale financial assets and deferred tax assets.
- (2) Include prepaid land lease payments, other investments and income tax recoverable.
- (3) Include bank overdrafts, income tax payables and obligations under finance leases.
- (4) Include obligations under finance leases and deferred tax liabilities.

Net Current Liabilities

As of 31 December 2014, 2015 and 2016 and 31 August 2017, we had net current liabilities of HK\$19.3 million, HK\$90.7 million, HK\$76.4 million and HK\$121.8 million, respectively. For a detailed discussion of our net current liabilities, see “– Net Current Liabilities”.

Property, plant and equipment

Property, plant and equipment consist of buildings, leasehold improvements, furniture and fixtures, machinery and equipment, motor vehicles, computers and construction in progress. As of 31 December 2014, 2015 and 2016 and 31 August 2017, the net book value of our property, plant and equipment amounted to HK\$370.8 million, HK\$404.4 million, HK\$372.6 million and HK\$398.8 million, respectively. The increase from 31 December 2014 to 31 December 2015 were primarily due to our construction of new factory buildings and purchases of new equipment and the decrease from 31 December 2015 to 31 December 2016 was primarily due to the increase in the depreciation of property, plant and equipment newly

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constructed or purchased as well as the depreciation of Renminbi as our properties are located in the PRC while our reporting currency is Hong Kong dollar. The net book value of our property, plant and equipment slightly increased to HK\$398.8 million as of 31 August 2017, primary due to the construction of our new site in Huizhou and the leasehold improvement of our factory premises.

Prepaid Land Lease Payments

Prepaid land lease payments represent costs paid for the land we occupy in the PRC which are classified as operating leases with initial lease terms of 50 years. As of 31 December 2014, 2015 and 2016 and 31 August 2017, the net book value of our land use rights amounted to HK\$54.5 million, HK\$51.2 million, HK\$46.2 million and HK\$47.0 million, respectively.

Trade and Other Receivables

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

	As of 31 December			As of
	2014	2015	2016	31 August 2017
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Trade receivables				
From third party customers	72,480	65,979	71,603	65,325
From related companies	3,736	3,117	2,154	–
From former related companies	–	–	–	655
	<u>76,216</u>	<u>69,096</u>	<u>73,757</u>	<u>65,980</u>
Bills receivables	3,393	971	6,636	5,434
Other receivables	<u>31,036</u>	<u>40,499</u>	<u>33,776</u>	<u>44,321</u>
Total	<u><u>110,645</u></u>	<u><u>110,566</u></u>	<u><u>114,169</u></u>	<u><u>115,735</u></u>

Trade Receivables

Our trade receivables primarily consist of outstanding amounts to be received from our customers. Our trade receivables amounted to HK\$76.2 million, HK\$69.1 million, HK\$73.8 million and HK\$66.0 million, respectively, as of 31 December 2014, 2015 and 2016 and 31 August 2017.

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Our credit terms generally range from 0 days to 180 days after invoice date, depending on the creditworthiness of the customer. The creditworthiness of a customer is based on its payment records and ability to make payments.

Our trade receivables due from third party customers decreased from HK\$72.5 million as of 31 December 2014 to HK\$66.0 million as of 31 December 2015, primarily driven by decreased sales to third party customers generated from integrated plastic solution as previously discussed before. See “– Results of Operations – Year ended 31 December 2015 Compared with Year ended 31 December 2014”. Our trade receivables due from third party customers increased from HK\$66.0 million as of 31 December 2015 to HK\$71.6 million as of 31 December 2016, primarily due to the increased sales generated from integrated plastic solution to third party customers as discussed before. See “– Results of Operations – Year ended 31 December 2016 Compared with Year ended 31 December 2015”. Our trade receivables due from third party customers decreased from HK\$71.6 million as of 31 December 2016 to HK\$65.3 million as of 31 August 2017, primarily due to a decrease in the trade receivables due from Customer F and Supplier L as of 31 August 2017 as a result of our improvement on our collection efforts.

Our trade receivables due from related companies primarily represent trade receivables for sale of plastic components due from CDN Group Holding, Fast Precision and Fast Precision Huizhou. Fast Precision and Fast Precision Huizhou ceased to be related companies to us after 29 March 2017 and our trade receivables for sale of plastic components due from Fast Precision and Fast Precision Huizhou were recorded as trade receivables due from former related companies as of 31 August 2017. Our trade receivables due from related companies and former related companies were unsecured, interest-free with credit terms ranging from 30 to 60 days. Our trade receivables due from related companies and former related companies decreased from HK\$3.7 million as of 31 December 2014 to HK\$3.1 million as of 31 December 2015, to HK\$2.1 million as of 31 December 2016 and further to HK\$0.7 million as of 31 August 2017, primarily due to the decrease in sale of plastic components to CDN Group Holding as well as the decrease in sale of plastic components for Fast Precision Huizhou caused by their decreased demand for our products.

From time to time, we enter into factoring arrangements with a bank in Hong Kong, under which we sold certain trade receivables for early payment from such bank at a discounted price. As of 31 December 2014, 2015 and 2016 and 31 August 2017, HK\$27.4 million, HK\$17.0 million, HK\$6.2 million and HK\$5.6 million of the trade receivables were sold to the bank in Hong Kong for early payment under such factoring arrangements.

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The following table sets forth the aging analysis of our trade receivables by due date as of the dates indicated.

	As of 31 December			As of 31 August
	2014	2015	2016	2017
	<i>(HK\$'000)</i>			
Not yet due	54,057	47,417	41,583	52,912
Past due but not impaired				
Within 30 days	13,988	7,996	20,877	8,774
31 to 60 days	1,959	10,099	6,244	1,609
61 to 90 days	2,079	318	1,252	1,070
91 to 180 days	527	870	3,135	945
Over 180 days	3,606	2,396	666	670
Total	<u>76,216</u>	<u>69,096</u>	<u>73,757</u>	<u>65,980</u>

The following table sets forth the turnover days of our trade receivables as of the dates indicated.

	As of 31 December			As of 31 August
	2014	2015	2016	2017
Trade receivables turnover days (1)	53	66	47	47

Note:

- (1) calculated based on the average of beginning and ending balance of trade receivables divided by turnover for the period, multiplied by 365 days in the year or 243 days in the period.

Our trade receivables turnover days increased from 53 days as of 31 December 2014 to 66 days as of 31 December 2015, as our largest customer, Fontem generally paid us within 10 days after we invoiced them starting from 2015, which relatively longer than before. Our trade receivables turnover days decreased to 47 days as of 31 December 2016, as some major customers settled their respective trade receivables in a shorter period within the credit terms as compared with that in 2015. In addition, we did not take orders from one of our major customers, Customer B, starting from the second quarter of 2016, as part of our customer base adjustment, to which we normally grant a credit term of 60 days. Our trade receivables turnover days remained at 47 days as of 31 August 2017.

We wrote off trade receivables of HK\$211,000 and HK\$2,000 for the years ended 31 December 2014 and 2016, respectively. We did not provide provision nor write off any trade receivables for the year ended 31 December 2015 and the eight months ended 31 August 2016 and 2017.

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As of 31 December 2017, approximately HK\$60.1 million, representing 91.0% of the trade receivables outstanding as of 31 August 2017 were settled.

Bills Receivables

Bills receivables represented certain bank's acceptance bills (銀行承兌匯票) we received from certain PRC customers. Those bills receivables have maturity terms of less than six months and are guaranteed by PRC banks. As of 31 December 2014, 2015, and 2016 and 31 August 2017, our bills receivables were HK\$3.4 million, HK\$1.0 million, HK\$6.6 million and HK\$5.4 million, respectively.

Other Receivables

Other receivables primarily include deposits, prepayments and other debtors and amounts due from directors and related parties. The following table sets out a breakdown of other receivables as of the dates indicated.

	As of 31 December			As of
	2014	2015	2016	31 August 2017
	(HK\$'000)			
Deposits, prepayments and other debtors	3,855	17,677	15,121	22,227
Due from related parties/former related companies	27,181	22,822	18,655	22,094
Total	31,036	40,499	33,776	44,321

Deposits, prepayments and other debtors primarily represent rental deposits, prepayment to suppliers, prepayment on utilities and input VAT receivables. Deposit, prepayments and other debtors increased from HK\$3.9 million as of 31 December 2014 to HK\$17.7 million as of 31 December 2015, primarily due to an increase of HK\$5.8 million in input VAT receivables as a result of purchase of fixed assets and an increase of HK\$3.3 million in prepayment on utilities associated with the equipment we newly leased in 2015. Deposit, prepayments and other debtors decreased to HK\$15.1 million as of 31 December 2016, primarily due to a decrease of HK\$1.4 million in prepayment on finance lease caused by less equipment leased in 2016 and a decrease of HK\$0.6 million in deposits as we paid more deposits in 2015 for mould fabrication. Deposit, prepayments and other debtors increased to HK\$22.2 million as of 31 August 2017, primarily due to the loyalty bonus we paid our staff who relocated from our manufacturing site in Shenzhen to our new site in Huizhou to stay until 31 December 2019 and the prepayment of certain listing expenses.

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For details of our amounts due from related parties/former related companies, see “– Related Party Transactions and Balances – Related Party Balances – Amounts Due from Related Parties”.

Inventories

Our inventories consist of raw materials, work-in-progress and finished goods. The following table sets forth our inventory balances as of the dates indicated.

	As of 31 December			As of
	2014	2015	2016	31 August 2017
	<i>(HK\$'000)</i>			
Raw materials	12,474	24,982	32,044	24,804
Work-in-progress	1,733	4,265	8,971	11,735
Finished goods	12,628	15,212	24,683	15,188
Total	26,835	44,459	65,698	51,727

Our inventories increased from HK\$26.8 million as of 31 December 2014 to HK\$44.5 million as of 31 December 2015, as we kept a lower level of inventories of raw materials as of 31 December 2014 in anticipation of lower production volumes in 2015, as we prepared for our relocation to Huizhou. Our inventories increased to HK\$65.7 million as of 31 December 2016 primarily due to the increase in raw materials, work-in-progress and finished goods associated with increased customer orders after the relocation to our new site in Huizhou. The decrease to HK\$51.7 million as of 31 August 2017 was primarily due to the decrease in raw materials and finished goods in line with our production and delivery of finished goods to customers.

We have adopted an ERP system to review and monitor our inventory level on a periodic basis. During the Track Record Period, we did not write down any inventories.

The following table sets out our inventory turnover days as of the dates indicated.

	As of 31 December			As of
	2014	2015	2016	31 August 2017
Inventory turnover days ⁽¹⁾	27	43	47	51

Note:

- (1) calculated based on the average balance of inventory divided by the cost of goods sold for the relevant period multiplied by 365 days for the year or 243 days for the period. Average balance of inventory is calculated as the sum of the beginning balance and ending balance for the relevant period divided by two.

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Our inventory turnover days increased from 27 days as of 31 December 2014 to 43 days as of 31 December 2015, as we recorded lower inventory level as of 31 December 2014 for the reasons discussed above. Our inventory turnover days remained relatively stable at 43 days, 47 days and 51 days as of 31 December 2015 and 2016 and 31 August 2017, respectively.

As of 31 December 2017, our group had used or sold approximately HK\$46.3 million, representing 89.5% of inventory on hand as of 31 August 2017.

Available-for-Sale Financial Assets

During the Track Record Period, we purchased life insurance for Mr. Chan, Mr. Cheng Chak and Ms. Chan Yin Yan. The life insurance contracts are held by Tian Chang Industrial and Sun Leader Industrial as policyholders. The fair value of the life insurance contracts is determined with reference to the surrender cash value of those insurance contracts as of the year end. As of 31 December 2014, 2015 and 2016 and 31 August 2017, the fair value of such insurance contracts was HK\$1.8 million, HK\$6.6 million, HK\$7.5 million and HK\$10.4 million, respectively. The life insurance contracts have been pledged to borrowing banks as collateral for bank borrowings of nil, HK\$29.2 million, HK\$28.4 million and HK\$18.7 million as of 31 December 2014, 2015 and 2016 and 31 August 2017, respectively. If we default under the loan agreement, the relevant bank can exercise all the rights under the insurance contract assigned to it (including the right to surrender the insurance policy) and to apply any proceeds obtained or payable in respect of the insurance towards satisfaction of the loans.

Other Investments

During the Track Record Period, we invested in unlisted principal guaranteed funds and non-principal-guaranteed funds placed with Bank of China. Pursuant to the terms of the fund, the PRC banks primarily invest the funds in treasury bonds, bank debentures, central bank bills, corporate bonds and other investments in the PRC with high credit ratings. The funds we invested can be redeemed from time to time and bear interest at floating rate with expected return of 2.45% per annum. We were subject to the risks associated with the investments in non-principal-guaranteed funds. As of 31 December 2014, 2015, 2016 and 31 August 2017, the carrying amount of our other investments was HK\$15.2 million, HK\$3.7 million, nil and nil, respectively. Our other investments were fully redeemed in November 2016 and we did not make any investment during the year ended 31 December 2016 and the eight months ended 31 August 2017. We did not record any losses on the principal we invested during the Track Record Period.

We understand that upon Listing, certain investments may constitute notifiable transactions under Chapter 14 of the Listing Rules and our Directors confirm that any such investments would only be made after compliance with the Listing Rules as well as other relevant laws and regulations in Hong Kong. As at the Latest Practicable Date, we did not have any plan to invest in or any funds allocated for any investments other than existing life insurance for our directors in the near future.

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Bank Balance and Cash

As of 31 December 2014, 2015 and 2016 and 31 August 2017, we had bank balances and cash of HK\$21.9 million, HK\$25.6 million, HK\$18.9 million and HK\$34.0 million, respectively.

Trade and Other Payables

The following table sets out a breakdown of our trade and other payables as of the dates indicated.

	As of 31 December			As of
	2014	2015	2016	31 August 2017
	<i>(HK\$'000)</i>			
Trade payables				
to third parties	32,408	40,731	62,273	70,299
to a related company	–	461	494	–
to a former related company	–	–	–	161
	<u>32,408</u>	<u>41,192</u>	<u>62,767</u>	<u>70,460</u>
Other payables	<u>34,375</u>	<u>43,700</u>	<u>27,558</u>	<u>25,615</u>
Total	<u><u>66,783</u></u>	<u><u>84,892</u></u>	<u><u>90,325</u></u>	<u><u>96,075</u></u>

Trade Payables

Our trade payables due to third parties primarily consist of amounts payable to third parties for the purchase of raw materials and consumables. Payment terms to suppliers typically range from 0 to 90 days. The increase in our trade payable to third parties from 31 December 2014 to 31 December 2016 was primarily due to the increased procurement of raw materials. Our trade payable to third parties increased from HK\$62.3 million as of 31 December 2016 to HK\$70.3 million as of 31 August 2017, primarily due to our utilisation of credit terms granted to us.

Our trade payables due to a related company represented subcontracting fees for mould fabrication services provided by Fast Precision Huizhou, which were unsecured, interest-free and payable on demand. Fast Precision Huizhou ceased to be a related company to us after 29 March 2017 and our trade payables due to Fast Precision Huizhou was recorded as trade payables due to a former related company as of 31 August 2017.

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The following table sets forth the aging analysis of our trade payables based on invoice date as of the dates indicated.

	As of 31 December			As of
	2014	2015	2016	31 August
	2017			
	<i>(HK\$'000)</i>			
Within 30 days	12,054	19,985	30,645	27,648
31 to 60 days	12,022	12,418	21,325	16,802
61 to 90 days	3,798	5,398	3,333	13,024
Over 90 days	4,534	3,391	7,464	12,986
Total	32,408	41,192	62,767	70,460

The following table sets forth the turnover days of our trade payables as of the dates indicated.

	As of 31 December			As of
	2014	2015	2016	31 August
	2017			
Trade payables turnover days ⁽¹⁾	39	44	44	57

Note:

- (1) calculated based on the average of beginning and ending balance of trade payables, divided by cost of sales for the period, multiplied by 365 days in the year or 243 days in the period.

Our trade payables turnover days remained relatively stable at 39 days, 44 days and 44 days as of 31 December 2014, 2015 and 2016, respectively. Our trade payables turnover days increased to 57 days as of 31 August 2017, as a result of our utilisation of the credit terms grant to us. As of 31 December 2017, approximately HK\$63.4 million, representing 90.0% of the trade payables as of 31 August 2017 were settled.

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Other Payables

The following table sets out a breakdown of other payables as of the dates indicated.

	As of 31 December			As of
	2014	2015	2016	31 August 2017
	<i>(HK\$'000)</i>			
Receipt in advance	2,070	5,692	1,351	1,417
Staff cost and benefit payable	19,058	17,090	19,225	14,387
Other accruals and other creditors	7,503	9,938	6,982	9,811
Due to related companies	5,744	10,980	–	–
Total	34,375	43,700	27,558	25,615

Receipt in advance represented deposits paid by our customers. Receipt in advance increased from 31 December 2014 to 31 December 2015 primarily due to the increased deposit we received from customers associated with increased demand for mould fabrication, including increased order from one of our major customer, Customer C and decreased to 31 December 2016 primarily due to less customer orders for mould fabrication in 2017. Receipt in advance remained stable as of 31 August 2017.

Other accruals and other creditors primarily represented other accrued tax, accrued utility expenses, accrued rent, accrued other payables and other accruals. Other accruals and other creditors increased from HK\$7.5 million as of 31 December 2014 to HK\$9.9 million as of 31 December 2015, primarily due to increased property tax associated with our properties in our new site in Huizhou. The decrease as of 31 December 2016 was primarily due to our settlement of property tax payable before 31 December 2016. Other accruals and other creditors increased to HK\$9.8 million as of 31 August 2017, primarily due to the property tax payable which was not due as of such date.

For details of our amounts due to related companies, “– Related Party Transactions and Balances – Related Party Balances – Amounts Due to Related Parties”.

Loans from the Ultimate Controlling Party

As of 31 December 2014, 2015 and 2016 and 31 August 2017, we had loans from Mr. Chan, the ultimate controlling party, which are unsecured, interest bearing with fixed rate ranging from 6.0% to 7.2%. See “– Related Party Transactions and Balances – Related Party Balances – Loans from the Ultimate Controlling Party”.

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LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our business requires a significant amount of working capital, which is primarily used to finance the purchase of raw materials and equipment and tooling. We have historically met our working capital and other capital requirements principally from cash provided by operations and loans from banks and shareholders.

In the future, we believe that our liquidity and capital expenditure requirements will be satisfied by a combination of net proceeds from the Global Offering, cash generated from our operating activities and continued banking facilities.

The following table sets forth selected cash flows data for the periods indicated.

	Year ended 31 December			Eight months ended 31 August	
	2014	2015	2016	2016	2017
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
				<i>(unaudited)</i>	
Net cash from operating activities	71,401	56,203	51,294	69,659	48,245
Net cash used in investing activities	(86,730)	(44,609)	(11,775)	(12,787)	(19,043)
Net cash used in financing activities	(5,154)	(6,591)	(50,995)	(58,069)	(9,374)
Net (decrease)/increase in cash and cash equivalents	<u>(20,483)</u>	<u>5,003</u>	<u>(11,476)</u>	<u>(1,197)</u>	<u>19,828</u>
Cash and cash equivalent at the beginning of the year/period	38,611	18,199	23,491	23,491	13,093
Effect on exchange rate changes	71	289	1,078	565	(331)
Cash and cash equivalents at the end of the year/period	<u>18,199</u>	<u>23,491</u>	<u>13,093</u>	<u>22,859</u>	<u>32,590</u>

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Net Cash Generated From Operating Activities

Net cash generated from operating activities primarily consists of profit before tax, adjusted for depreciation and amortisation, interest income and expenses, loss on disposal of property, plant and equipment and the effect of income tax paid, interest paid and changes in working capital.

For the year ended 31 December 2014, net cash from operating activities was HK\$71.4 million. Significant working capital movements within net cash generated from operating activities included a decrease in trade and other payables of HK\$29.4 million and a decrease in inventories of HK\$6.8 million caused by decreased procurement of raw materials, as well as increased amounts due to related parties.

For the year ended 31 December 2015, net cash from operating activities was HK\$56.2 million. Significant working capital movements within net cash generated from operating activities included an increase in trade and other payables of HK\$21.1 million and an increase in inventories of HK\$18.7 million, both of which were caused by our increased procurement of raw materials as our manufacturing of e-cigarettes products resumed in the second half of 2015.

For the year ended 31 December 2016, net cash from operating activities was HK\$51.3 million. Significant working capital movements within net cash generated from operating activities included an increase in inventories of HK\$24.7 million and an increase in trade and other payables of HK\$13.9 million both of which were caused by increased procurement of raw materials after the relocation to the new site in Huizhou as discussed above.

For the eight months ended 31 August 2017, net cash generated from operating activities was HK\$48.2 million. Significant working capital movements within net cash generated from operating activities included a decrease in inventories of HK\$12.8 million caused by our consumption of inventories through sales.

Net Cash Used in Investing Activities

Cash flow used in investing activities primarily consists of cash used in the acquisition of plant, property and equipment and available-for-sale financial assets.

For the year ended 31 December 2014, net cash used in investing activities was HK\$86.7 million, primarily attributable to the purchase of property, plant and equipment of HK\$75.4 million as a result of the construction of our new site in Huizhou and the purchase of other investments of HK\$12.7 million in 2014.

For the year ended 31 December 2015, net cash used in investing activities was HK\$44.6 million, primarily attributable to the purchase of property, plant and equipment of HK\$51.5 million as a result of the construction of our new site in Huizhou and the acquisition of manufacturing equipment for our new site in 2015, partially offset by the redemption of other investments of HK\$14.7 million in 2015.

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For the year ended 31 December 2016, net cash used in investing activities was HK\$11.8 million, primarily attributable to the purchase of property, plant and equipment of HK\$14.5 million as a result of the renovation of our new site in Huizhou including the construction of the clean rooms for the manufacturing of e-cigarette products, partially offset by the redemption of other investments of HK\$3.4 million in 2016.

For the eight months ended 31 August 2017, net cash used in investing activities was HK\$19.0 million, primarily due to an increase of HK\$16.3 million in property, plant and equipment attributable to the addition of construction of new site in Huizhou, computer furniture and fixture and certain machinery and the purchase of available-for-sale financial assets of HK\$2.7 million associated with the purchase of life insurance for Mr. Chan, Mr. Cheng Chak and Ms. Chan Yin Yan which was pledged to borrowing banks as collateral. See “– Analysis of Financial Position – Available-for-sale Financial Assets”.

Net Cash Used in Financing Activities

For the year ended 31 December 2014, net cash used in financing activities was HK\$5.2 million, primarily attributable to the cash outflow of HK\$10.1 million to repay loans from ultimate controlling party and HK\$5.8 million to pay the interest on our interest-bearing borrowings, partially offset by the net cash inflow of HK\$15.5 million from interest-bearing borrowings.

For the year ended 31 December 2015, net cash used in financing activities was HK\$6.6 million, primarily attributable to the cash outflow of HK\$30.5 million for the repayment of payables for construction in progress, HK\$8.2 million to pay the interest on our interest-bearing borrowings and HK\$3.7 million to repay the obligations under finance leases for the equipment we newly leased for our new site in Huizhou, partially offset by the net cash inflow of HK\$39.8 million from interest-bearing borrowings.

For the year ended 31 December 2016, net cash used in financing activities was HK\$51.0 million, primarily attributable to the cash outflow of HK\$45.3 million for the repayment of payables for construction in progress, HK\$9.6 million to pay the interest on our interest-bearing borrowings and HK\$7.3 million to repay the obligations under finance leases for the equipment we leased, partially offset by the net cash inflow of HK\$11.3 million from interest-bearing borrowings.

For the eight months ended 31 August 2017, net cash used in financing activities was HK\$9.4 million, primarily attributable to the net cash inflow of HK\$27.2 million from interest-bearing borrowings, partially offset by the cash outflow of HK\$18.6 million to repay the payables for construction in progress, HK\$8.3 million to pay the interest on our interest-bearing borrowings and HK\$7.4 million to repay the obligations under finance leases for the equipment we leased.

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Cost Control Measures

To improve our cash flow, we plan to adopt the following measures to control our costs, in particular, staff salaries and finance costs.

Staff salaries

In 2016 and during the eight months ended 31 August 2017, we recorded increased number of total staff, primarily due to the additional number of staff working on our new site in Huizhou. In light of the expected early termination of the lease agreements for our manufacturing site in Shenzhen and the subsequent factory closure in early 2018, we expect our staff salaries will be reduced following the release of our staff in Shenzhen. In addition, to mitigate the adverse impact that we expect could be brought by the increasing labour costs in the PRC, we intend to closely monitor the performance of our manufacturing equipment and keep automating our manufacturing equipment to reduce our reliance on labour, thereby controlling staff costs. Furthermore, we plan to provide our staff with incentive to encourage our manufacturing staff's improvement on production efficiency and quality as well as administrative staff's successful realisation of our cost control target.

Finance costs

As we intend to use the net proceeds from the Global Offering to fund our capital expenditures and supplement our general working capital, we do not expect to incur material interest-bearing bank borrowings and finance lease subsequent to the Listing. As a result, we expect our finance costs would decrease after the Listing following the scheduled repayment of our existing bank facilities. To further reduce our finance costs, we plan to restructure our existing debt portfolio and lower our effective interest rate through negotiation for bank borrowings with lower interest rates from various banks.

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NET CURRENT LIABILITIES

The following table sets forth the breakdown of our current liabilities as of the dates indicated.

	As of 31 December			As of	As of
	2014	2015	2016	31 August 2017	31 December 2017
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i> <i>(unaudited)</i>
Current assets					
Trade and other					
receivables	110,645	110,566	114,169	115,735	120,214
Inventories	26,835	44,459	65,698	51,727	55,272
Bank balances and cash	21,904	25,607	18,919	33,955	19,591
Other investments	15,240	3,660	–	–	–
Prepaid land lease					
payments	1,200	1,153	1,063	1,099	1,117
Income tax recoverable	–	742	–	807	1,057
	<u>175,824</u>	<u>186,187</u>	<u>199,849</u>	<u>203,323</u>	<u>197,251</u>
Current liabilities					
Interest-bearing					
borrowings	73,184	125,056	140,834	184,038	172,416
Trade and other payables	66,783	84,892	90,325	96,075	114,541
Payables for construction					
in progress	47,870	55,743	26,012	30,308	28,176
Obligations under finance					
leases	2,575	7,344	10,233	11,358	11,101
Bank overdrafts	3,705	2,116	5,826	1,365	1,024
Income tax payables	991	1,770	3,062	1,977	3,250
	<u>195,108</u>	<u>276,921</u>	<u>276,292</u>	<u>325,121</u>	<u>330,508</u>
Net current liabilities	<u>19,284</u>	<u>90,734</u>	<u>76,443</u>	<u>121,798</u>	<u>133,257</u>

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The increase in net current liabilities from 31 December 2014 to 31 December 2015 was primarily due to the increase in the short-term interest-bearing borrowings and the current portion of long-term interest-bearing borrowings and the increase in the finance lease associated with the construction of and the relocation to phase I of our new site in Huizhou. The decrease in net current liabilities from 31 December 2015 to 31 December 2016 was primarily due to the decrease in the current portion of the repayment of payables for construction in progress of phase I of our new site in Huizhou. The increase in net current liabilities from 31 December 2016 to 31 August 2017 was primarily due to the increase in the short-term interest-bearing borrowings for construction of phase II of our new site in the Huizhou and working capital purpose. Our net current liabilities increased to HK\$133.3 million as of 31 December 2017, primarily due to a decrease in our cash and cash equivalents caused by our repayment of loans due to the ultimate controlling party by cash.

The general increase in our net current liabilities from 31 December 2014 to 31 December 2017 was primarily due to the increased interest-bearing borrowings mainly for the construction of and the relocation to our new site in Huizhou and repayment of loans from ultimate controlling party. We expect to complete the construction of phase II of our new site by February 2018 and we do not have any plan to incur material indebtedness for further expansion of our new site. As a result, we expect our interest-bearing borrowings and payables for our construction in progress to decrease upon the completion of the construction in accordance with their respective repayment terms.

Capital Expenditures

Our capital expenditures include acquisition of property, plant and equipment, prepaid land lease payments. For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2017, we incurred capital expenditures of HK\$199.5 million, HK\$75.9 million, HK\$29.2 million and HK\$30.5 million, respectively.

We estimate to incur HK\$26.6 million of capital expenditures for the year ended 31 December 2017 and we expect to fund such capital expenditures with cash flows generated by our operations, operational loans from banks and the net proceeds of the Global Offering.

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The following table sets forth our estimated capital expenditure, repayment of bank borrowings and finance lease obligations and payables for construction in progress, as well as our source of funding for the year ending 31 December 2018.

	Year ending 31 December 2018
	<i>(HK\$'000)</i>
Capital expenditure funded by	
– net proceeds from the Global Offering	72,809
– internal resources	19,972
	92,781
Repayment of bank borrowings and finance lease obligations funded by internal resources and working capital ⁽¹⁾⁽²⁾	43,493
Payables for construction in progress funded by internal resources and working capital	28,176
	164,450

Notes:

- (1) The amount of repayment of bank borrowings and finance lease obligations was based on the assumption that the Group's revolving loans will be renewed and there will be no material net draw down amount under the Group's bank facilities. We had not experienced any difficulties in renewing our revolving loans during the Track Record Period and up to Latest Practicable Date. In the unlikely event that HK\$108.7 million of our revolving loans which will due in 2018 could not be renewed, we expect to draw down our unutilised bank facilities, which, to the best knowledge of our Directors, would be sufficient to support our daily operation.
- (2) The amount of repayment of bank borrowings and finance lease obligations from 1 January 2018 to 31 December 2018 is less than the Group's current portion of bank borrowings as certain borrowings of the Group were classified as current liabilities because these loan agreements contain a repayment on demand clause. However such loans will not fall due within one year in accordance with their respective repayment schedule.

Working Capital

We recorded net current liabilities as of 31 December 2014, 2015 and 2016 and 31 August 2017, primarily due to the increased interest-bearing borrowings mainly for the construction of and the relocation to our new site in Huizhou and working capital purpose. However, following the expected completion of the construction of phase II of our new site before February 2018, we do not have any plan to incur material capital expenditure for further expansion of our new site. The existing bank borrowings and payable for construction-in-progress will be repaid by instalment using our internal resources according to their respective payment schedule. As a result, we expect our net current liabilities position and net debt to equity ratio to improve after the year end of 2018.

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We have financial resources including cash flows from operating activities, presently available bank loans and other borrowings and the estimated net proceeds from the Global Offering. Our Directors, after due inquiry, believe and the Sole Sponsor concurs that we have sufficient available working capital for our present requirements at least for the next 12 months from the date of this Prospectus taking into account our cash flows from operating activities, presently available bank loans and other borrowings and the estimated net proceeds from the Global Offering, including but not limited to, the following:

- As of 31 December 2017, we had total bank facilities of HK\$314.4 million, of which HK\$182.2 million were unutilised and can be drawn down. Among our HK\$182.2 million unutilised bank facilities as of 31 December 2017, approximately HK\$25.0 million were subject to certain financial covenants as provided in the facility letters. Our Directors believe such financial covenants would not affect our ability to draw down our HK\$182.2 million unutilised bank facilities or obtain equity or additional debt financing. In addition, as of 31 December 2017, we had leasing facilities of HK\$18.0 million, of which HK\$11.2 million were unutilised. As of 31 December 2017, out of the interest-bearing borrowings of HK\$172.4 million as classified under current liabilities, HK\$30.9 million will be due after one year, if the financial institutions do not exercise their rights and request for our repayment upon their demand;
- Subsequent to 31 December 2017 and up to the Latest Practicable Date, we had received an indicative credit facility of additional HK\$75.6 million from a financial institution in Hong Kong, which is expected to be issued to us by February 2018. In January 2018, we also received credit facilities of additional HK\$7.0 million from a bank in Hong Kong;
- We had not experienced any difficulty in obtaining credit facilities, withdrawal of banking facilities, request for early repayment by banks, or default in payment or breach of financial covenants during the Track Record Period and up to the Latest Practicable Date;
- We had not experienced difficulties in meeting obligations during the Track Record Period and up to the Latest Practicable Date and none of our Group's bank borrowings and facilities are subject to the fulfilment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect our Group's ability to undertake additional debt or equity financings;
- As of 31 December 2017, we had cash and cash equivalents of HK\$19.6 million;
- Subsequent to 31 August 2017 and up to 31 December 2017, approximately HK\$60.1 million, representing 91.0% of the trade receivable outstanding as of 31 August 2017 were settled;

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- We estimate the net proceeds from Global Offering to be approximately HK\$78.3 million before any exercise of the Over-allotment Option, assuming an Offer Price of HK\$0.70 per Share, being the mid-point of the proposed Offer Price range of HK\$0.65 to HK\$0.75 per Share. See “Future Plans and Use of Proceeds”.

INDEBTEDNESS

During the Track Record Period, our indebtedness primarily included loans and facilities from banks, loans from the ultimate controlling party, obligations under finance leases and payables for construction in progress.

The following table sets forth our indebtedness as of the dates indicated.

	As of 31 December			As of 31 August	As of 31 December
	2014	2015	2016	2017	2017
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i> <i>(unaudited)</i>
Current					
Bank overdrafts	3,705	2,116	5,826	1,365	1,024
Interest-bearing borrowings	73,184	125,056	140,834	184,038	172,416
Obligation under finance leases	2,575	7,344	10,233	11,358	11,101
Payables for construction in progress	47,870	55,743	26,012	30,308	28,176
	127,334	190,259	182,905	227,069	212,717
Non-current					
Interest-bearing borrowings	57,150	42,700	33,741	19,773	20,097
Obligation under finance leases	3,822	14,229	16,816	13,176	9,567
Payables for construction in progress	68,288	35,003	17,414	5,013	–
Loans from the ultimate controlling party	34,480	30,529	28,598	27,176	–
	163,740	122,461	96,569	65,138	29,664
	291,074	312,720	279,474	292,207	242,381

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All of our bank borrowings are secured. The assets securing bank borrowings differ and include buildings and the prepaid land lease payments, life insurance contracts for Mr. Chan, trade receivables and other properties owned by Mr. Chan and his family members. Certain bank borrowings were guaranteed by Mr. Chan and companies controlled by Mr. Chan, as well as the Hong Kong Mortgage Corporation Limited. All collaterals and guarantees provided by Mr. Chan and/or his family members and other directors are expected to be released and replaced by a corporate guarantee to be given by the Company upon Listing and the banks have provided their consent in this regard. See “Relationship with Our Controlling Shareholders”. The obligation under finance leases is secured by the lessors’ charge over the leased assets. As of 31 December 2014, 2015 and 2016 and 31 August 2017 and 31 December 2017, the carrying amounts of the leased assets were HK\$6.2 million, HK\$24.6 million, HK\$31.4 million, HK\$33.8 million and HK\$32.6 million, respectively.

The following table sets forth the maturity profile of our borrowings as of the dates indicated.

	As of 31 December			As of 31 August	As of 31 December
	2014	2015	2016	2017	2017
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
					<i>(unaudited)</i>
Within one year	127,334	190,259	182,905	227,069	212,717
One year to five years	163,740	122,461	96,569	65,138	29,664
	291,074	312,720	279,474	292,207	242,381

For more information regarding the specific terms of our bank borrowings, including interest rates, see note 21 to the Accountants’ Report set forth in Appendix I to this Prospectus. Our borrowings contain customary covenants restricting certain corporate actions similar with comparable bank loans in the PRC and Hong Kong, including restriction on incurrence of indebtedness. The restrictive covenants do not have any impact on the proposed Listing. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we have been in full compliance with the restrictive covenants under the terms of relevant bank borrowings and we have not received any notice from any bank alleging our breach of covenants.

During the Track Record Period, our Group provided unlimited guarantee to a Hong Kong bank for banking facilities issued to Fast Precision, a related company ultimately controlled by the ultimate controlling party. However, we did not recognise any value for such financial guarantee, as (i) we did not receive any consideration from Fast Precision for such financial guarantee; (ii) there is no direct comparable market transaction; and (iii) we are unable to reliably estimate the fair value of the financial guarantee with observable parameters. As of 31 December 2014, 2015 and 2016, our maximum liabilities under the financial guarantee, being

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the amount of the utilised bank facilities by Fast Precision as of the respective date, are HK\$9.8 million, HK\$5.9 million, HK\$1.8 million, respectively. As of 31 August 2017 and 31 December 2017, there were no outstanding bank facilities issued to Fast Precision and no outstanding guarantee provided by us. During the Track Record Period and up to the Latest Practicable Date, we did not receive any claim from the bank with respect to the financial guarantee and our management believes the risks of being claimed under the financial guarantee are remote.

As of 31 December 2017, we had total bank facilities of HK\$314.4 million, of which HK\$182.2 million were unutilised and can be drawn down. Among our HK\$182.2 million unutilised bank facilities as of 31 December 2017, approximately HK\$25.0 million were subject to certain financial covenants as provided in the facility letters. Our Directors believe such financial covenants would not affect our ability to obtain equity or additional debt financing. In addition, as of 31 December 2017, we had leasing facilities of HK\$18.0 million, of which HK\$11.2 million were unutilised.

As of 31 December 2017, being the latest practicable date for the purpose of this statement prior to the printing of this Prospectus, all of our bank facilities were either secured or guaranteed.

Our Directors confirm that we had not experienced any difficulty in obtaining credit facilities, withdrawal of banking facilities, request for early repayment by banks, or default in payment or breach of financial covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that we had not experienced difficulties in meeting obligations during the Track Record Period and up to the Latest Practicable Date and none of our Group's bank borrowings and facilities are subject to the fulfilment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect our Group's ability to undertake additional debt or equity financings.

Save as disclosed above, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), or acceptance credits, debentures, mortgages, charges, guarantees or other contingent liabilities as of 31 December 2017, being our indebtedness statement date. Our Directors confirm that there is no material change in our indebtedness position since 31 December 2017.

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CAPITAL AND OPERATING LEASE COMMITMENT

Capital Expenditure Commitments

We had capital expenditure commitments of HK\$9.5 million, nil, HK\$48.5 million and HK\$40.4 million as of 31 December 2014, 2015 and 2016 and 31 August 2017, respectively for the contracted construction of our new site and the purchase of machinery.

Operating Lease Commitments

The following table sets forth our future minimum lease payments as lessee under non-cancellable operating leases as of the dates indicated.

	As of 31 December			As of 31 August
	2014	2015	2016	2017
	<i>(HK\$'000)</i>			
Amounts payable:				
Within one year	4,322	8,950	5,890	5,979
In the second to fifth years	14,935	26,310	10,901	7,265
	<u>19,257</u>	<u>35,260</u>	<u>16,791</u>	<u>13,244</u>

We lease properties under non-cancellable operating lease agreements. The increase in the future minimum lease payments from 31 December 2014 to 31 December 2015 was primarily due to the renewed lease agreements for the leased properties in Shenzhen. The decrease in the future minimum lease payments from 31 December 2016 to 31 August 2017 was primarily due to less requirements for leased properties upon the completion of construction of our new site in Huizhou.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

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KEY FINANCIAL RATIOS

The following table sets forth selected financial ratios as of the dates or for the periods indicated.

	As of or Year ended 31 December			As of or for the eight months ended 31 August
	2014	2015	2016	2017
	Gearing ratio ⁽¹⁾	1.23	1.29	1.13
Current ratio ⁽²⁾	0.90	0.67	0.72	0.63
Quick ratio ⁽³⁾	0.76	0.51	0.48	0.46
Return on equity ⁽⁴⁾ (%)	22.3	7.3	13.7	N/A
Return on total assets ⁽⁵⁾ (%)	8.7	2.7	5.4	N/A
Net debt to equity ratio ⁽⁶⁾	1.14	1.19	1.05	0.99
Interest coverage ⁽⁷⁾	11.6	2.8	4.4	1.9

Notes:

- (1) calculated by dividing total debts (including bank overdrafts, payables for construction in progress, interest-bearing borrowings, obligations under finance leases, and loans from the Ultimate Controlling Party) with total equity as of the end of respective year/period.
- (2) calculated by dividing our current assets with our current liabilities as of the end of the respective year/period.
- (3) calculated by dividing our current assets minus inventories and prepaid land lease payments by our current liabilities as of the end of the respective year/period.
- (4) equals our net profit for each of the year divided by the closing balance of our total equity as of the end of the respective year, multiplied by 100%.
- (5) equals our net profit for the year divided by the closing balance of our total assets as of the end of the respective year, multiplied by 100%.
- (6) calculated by dividing our net debt, being our total interest-bearing debts, net of cash and cash equivalents and pledged bank deposits, by total equity as of the respective year end date.
- (7) equals our profit before interest expenses and tax for each of the year divided by our finance costs.

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Gearing Ratio

Our gearing ratio increased from 1.23 as of 31 December 2014 to 1.29 as of 31 December 2015, primarily due to the increase of HK\$37.4 million in our bank borrowings mainly for the construction of our new site in Huizhou. The gearing ratio decreased from 1.29 as of 31 December 2015 to 1.13 as of 31 December 2016, primarily due to the decrease of HK\$47.3 million in our repayments of payables for the construction in progress decreased as a result of the completion of the construction of our new site in Huizhou. Our gearing ratio remained stable at 1.12 as of 31 August 2017.

Current Ratio

Our current ratio decreased from 0.90 as of 31 December 2014 to 0.67 as of 31 December 2015, primarily due to an increase of HK\$81.8 million in current liabilities mainly resulting from increased interest-bearing borrowings for our construction of our new site in Huizhou. The current ratio increased to 0.72 as of 31 December 2016, primarily due to an increase of HK\$13.7 million in current assets mainly resulting from increased inventories. Our current ratio decreased to 0.63 as of 31 August 2017, primarily due to an increase of HK\$48.8 million in current liabilities mainly resulting from increased interest-bearing borrowings.

Quick Ratio

Our quick ratio decreased from 0.76 as of 31 December 2014 to 0.51 as of 31 December 2015, primarily due to an increase of HK\$81.8 million in current liabilities mainly resulting from increased interest-bearing borrowings for our construction of our new site in Huizhou and an increase of HK\$17.6 million in our inventories. The quick ratio further decreased to 0.48 as of 31 December 2016, primarily due to an increase of HK\$21.2 million in our inventories. Our quick ratio remained relatively stable at 0.46 as of 31 August 2017.

Return on Equity

The return on equity decreased from 22.3% for the year ended 31 December 2014 to 7.3% for the year ended 31 December 2015, primarily due to a decrease of HK\$34.9 million in profit attributable to owners of the Company mainly caused by the decreased revenue from the manufacturing of e-cigarette products. The return on equity increased to 13.7% for the year ended 31 December 2016, as an increase of HK\$16.1 million in profit attributable to owners of the Company.

Return on Total Assets

The return on total assets decreased from 8.7% for the year ended 31 December 2014 to 2.7% for the year ended 31 December 2015, primarily due to a decrease of HK\$34.9 million in profit attributable to owners of the Company as well as an increase of HK\$33.6 million in the property, plant and equipment. The return on total assets increased to 5.4% for the year ended 31 December 2016, as an increase of HK\$16.1 million in profit attributable to owners of the Company.

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Net Debt to Equity Ratio

Our net debt to equity ratio increased from 1.14 as of 31 December 2014 to 1.19 as of 31 December 2015, primarily due to the increase of HK\$37.4 million in our bank borrowings caused by the construction of our new site in Huizhou. Our net debt to equity ratio further decreased to 1.05 as of 31 December 2016, primarily due to the decrease of HK\$47.3 million in our payables for the construction in progress as a result of the repayments of balances. Our net debt to equity ratio decreased from 1.05 as of 31 December 2016 to 0.99 as of 31 August 2017, primarily due to an increase of HK\$19.5 million in our cash and cash equivalents, a decrease of HK\$8.1 million in our payables for construction in progress and an increase in our equity caused by the increased accumulated profits.

Interest Coverage

Our interest coverage decreased from 11.6 for the year ended 31 December 2014 to 2.8 for the year ended 31 December 2015, primarily due to a decrease of HK\$34.9 million in profit attributable to owners of the Company mainly caused by the decreased revenue from the manufacturing of e-cigarette products. Our interest coverage increased to 4.4 for the year ended 31 December 2016, primarily due to an increase of HK\$16.1 million in profit attributable to owners of the Company mainly caused by the increased revenue from the manufacturing of e-cigarette products. Our interest coverage further decreased to 1.9 for the eight months ended 31 August 2017, primarily due to a decrease of profit attributable to owners of the Company mainly resulting from the recognition of the listing expenses of HK\$14.7 million for the period.

QUANTITATIVE AND QUALITATIVE MARKET RISKS

We are subject to various types of market risks, including the following:

Interest Rate Risk

Our interest rate risk arises from fluctuations in the interest rates on our finance leases, bank borrowings and bank overdrafts. Increases in interest rates would increase expenses relating to our outstanding debt and increase the cost of new debt. Fluctuations in interest rates can also lead to significant fluctuations in the fair value of our debt obligations. Because we generally do not take a speculative view on movements in interest rates, we do not currently use and in the near future do not plan to use any derivative financial instruments to manage these risks.

If the interest rates had been 100 basis points higher/(lower) than the prevailing rate, and all other variables remained constant, our profits before tax for the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2017 would have been HK\$1.4 million, HK\$1.8 million, HK\$2.0 million and HK\$2.1 million, lower/(higher), respectively.

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Foreign Currency Risk

Our revenue is primarily denominated in Hong Kong dollars, U.S. dollars and Renminbi. Certain of our financial assets and liabilities are denominated in currencies other than the functional currency of such subsidiary and we are therefore exposed to foreign currency risk. The following table sets forth the carrying amounts of those financial assets and liabilities.

	Financial assets				Financial liabilities			
	As of 31 December			As of 31 August	As of 31 December			As of 31 August
	2014	2015	2016	2017	2014	2015	2016	2017
	<i>(HK\$'000)</i>							
Hong Kong dollars	24,069	5,356	3,044	1,843	897	777	1,062	589
U.S. dollars	55,923	59,188	75,115	64,065	40,717	57,039	70,867	52,422
Renminbi	23,523	24,755	20,683	21,397	25,763	24,745	22,798	23,576

The following table sets forth a sensitivity analysis to assess the impact on our pre-tax results if the exchange rates of Hong Kong dollars, U.S. dollars and Renminbi had changed against the functional currencies of such subsidiary as at the end of each period.

	As of 31 December			As of 31 August
	2014	2015	2016	2017
	<i>(HK\$'000)</i>			
Hong Kong dollars	1,159	229	99	63
U.S. dollars	760	107	212	582
Renminbi	112	–	106	109

Credit Risk

Our credit risk arises primarily from our outstanding trade and other receivables with our customers. We are also exposed to credit risk arising from the default of our customers on their obligations to us. We assess a customer's creditworthiness with reference to their credit history and market reputation.

We also face concentration risk arising from our five largest trade debtors. Trade receivables from our five largest trade debtors accounted for 76.1%, 71.9%, 71.6% and 72.5%, respectively, of our total receivables, and trade receivables from the largest debtor accounted for 25.2%, 18.0%, 18.5% and 20.7% of total trade and other receivables as of 31 December 2014, 2015 and 2016, and 31 August 2017 respectively.

Our management considers the credit risk in respect of other investments and bank balances and cash is insignificant as such banks and financial institutions are authorised financial institution with high credit ratings.

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The following table sets forth our maximum exposure to the credit risk.

	As of 31 December			As of
	2014	2015	2016	31 August 2017
	<i>(HK\$'000)</i>			
Trade and other receivables	108,947	102,936	108,752	105,044
Bank balances and cash	21,904	25,607	18,919	33,955
Other investment	15,240	3,660	–	–
	<u>146,091</u>	<u>132,203</u>	<u>127,671</u>	<u>138,999</u>

Other Price Risk

We are exposed to the price risk arising from our investments in unlisted principal-guaranteed funds and non-principal-guaranteed funds and our investments in the life insurance contracts for Mr. Chan, Mr. Cheng Chak and Ms. Chan Yin Yan, which are classified as available-for-sale financial assets. The fair value of such life insurance will fluctuate.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting obligations associated with our financial liabilities. We monitor our liquidity requirements to ensure sufficient cash and cash equivalents to meet our operational needs, and have available sufficient undrawn committed borrowing facilities. We also take into consideration our debt financing plans, covenant compliance and, if applicable, external regulatory or legal requirements.

RELATED PARTY TRANSACTIONS AND BALANCES

We enter into transactions and recorded balances with our related parties from time to time.

General Information about Related Parties

CDN Group Holding has been in the business of trading accessories of electronic products and iPhone related accessories. For more details of CDN Group Holding, see “Relationship with Our Controlling Shareholders – Other Business Engaged by Our Controlling Shareholder – General Information about CDN Group Holding” in this Prospectus. Shenzhen CDN Trading Limited (“**Shenzhen CDN Trading**”) is the wholly-owned subsidiary of CDN Group Holding. Shenzhen CDN Trading was primarily engaged in the business of trading iPhone related accessories but ceased to operate since late 2016. CDN Holdings is a holding company, For more information about CDN Holding, see “Continuing Connected Transactions – Connected Persons” in this Prospectus.

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Fast Precision's principal business is trading and Fast Precision Huizhou's principal business includes design, fabrication and sales of moulds. Fast Precision and Fast Precision Huizhou ceased to be our related parties on 29 March 2017 when Mr. Chan disposed of his entire interest in Fast Precision to an Independent Third Party. For more details of Fast Precision and Fast Precision Huizhou, see "Relationship with Our Controlling Shareholders – Other Business Engaged by Our Controlling Shareholder – General Information about Fast Precision" and "Relationship with Our Controlling Shareholders – Other Business Engaged by Our Controlling Shareholder – General Information about Fast Precision Huizhou" in this Prospectus.

Related Party Transactions

The table below sets forth the transactions with our related parties for the period indicated.

	Year ended 31 December			Eight months ended 31 August	
	2014	2015	2016	2016	2017
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
				<i>(unaudited)</i>	
Sale of goods	709	1,274	1,018	795	249
Subcontracting costs	–	7,262	13,915	13,057	1,079
Inspection fee expenses	1,951	–	–	–	–
Mould testing fee income	438	142	–	–	–
Rental expenses	540	540	540	360	360
Rental and utilities recharge income	–	623	1,595	1,130	360
Management service income	302	180	180	120	45

Sale of Goods

During the Track Record Period, we sold iPhone related accessories to CDN Group Holding and Shenzhen CDN Trading and plastic components to Fast Precision Huizhou. For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, sales to such related parties amounted to HK\$0.7 million, HK\$1.3 million, HK\$1.0 million, HK\$0.8 million and HK\$0.2 million, respectively. The historical fluctuation in the sales amount to related parties was primarily caused by the changing demand from such related parties.

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We sold iPhone-related accessories to CDN Group Holding and Shenzhen CDN Trading during the Track Record Period but did not sell similar products to any Independent Third Parties. For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016, sales to CDN Group Holding and Shenzhen CDN Trading amounted to approximately HK\$0.7 million, HK\$0.6 million, HK\$11,000 and HK\$11,000, respectively and the respective gross profit margin was approximately 16.3%, 16.0%, 5.0% and 5.0%, respectively, which was lower than the respective gross profit margin, being 21.8%, 21.1%, 17.0%, 16.5% and 16.7%, for integrated plastic solution segment during the same time period. We did not sell any iPhone-related accessories to CDN Group Holding and Shenzhen CDN Trading for the eight months ended 31 August 2017. Since the substantial portion of our costs of iPhone-related accessory manufacturing were raw material costs, the sales prices we charged CDN Group Holding and Shenzhen CDN Trading were determined after an arm's length negotiation between relevant parties, taking into account of our estimated raw material costs to be incurred plus a mark-up margin with reference to that of the overall integrated plastic solution segment. The differences in the gross profit margin were primarily caused by the lower level of complexity involved in the manufacturing of iPhone-related accessories.

For the years ended 31 December 2015 and 2016 and the eight months ended 31 August 2016 and 2017, sales of plastic components to Fast Precision Huizhou amounted to HK\$0.7 million, HK\$1.0 million, HK\$0.8 million and HK\$0.2 million, respectively. We did not sell any plastic components to Fast Precision Huizhou in 2014. Since the substantial portion of our costs of plastic components manufacturing for Fast Precision Huizhou were manufacturing costs other than raw material costs, the sales prices we charged Fast Precision Huizhou were determined after arm's length negotiations between relevant parties taking into account of the number of machine hours required and our standard machine hour rate adopted for our costs estimate for integrated plastic solution process for both related parties and Independent Third Parties. We generally provide our major customers with discount when we calculate the costs or add up premium for small orders.

Subcontracting Costs

During the Track Record Period, we subcontracted the fabrication of less technically complicated moulds to Fast Precision Huizhou. For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, subcontracting expenses paid to Fast Precision Huizhou were nil, HK\$7.3 million, HK\$13.9 million, HK\$13.1 million and HK\$1.1 million, respectively. See "Business – Suppliers – Subcontracting – Our Relationships with Subcontractors". The historical fluctuation in the subcontracting fees paid to Fast Precision Huizhou was primarily due to our mould fabrication capacity and our customers' demand for less technically complicated moulds. The subcontracting costs were determined after arm's length negotiations between relevant parties taking into account of the then market price and the proportion of the subcontracting costs in our charges for the mould fabrication works. During the Track Record Period, the subcontracting cost we paid to Fast Precision Huizhou was approximately 95% of our charges for the mould fabrication works while the subcontracting costs we paid to Independent Third Parties generally ranged from 92% to 95% of our charges for the mould fabrication works.

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Inspection Fee Expenses

In 2014, we engaged CDN Group Holding, a related party, to provide quality assurance inspection services for our e-cigarette products in our initial stage of manufacturing e-cigarette products for confidentiality reason. For the year ended 31 December 2014, the inspection fee expenses were HK\$2.0 million. The inspection fee was determined after arm's length negotiations between relevant parties taking into account the actual cost incurred by CDN Group Holdings. The inspection fee we paid to CDN Group Holding was approximately HK\$45 per staff per hour, which was comparable to the then market salary of quality checkers. We did not engage CDN Group Holding for inspection services for the year ended 31 December 2015 and 2016 and the eight months ended 31 August 2017.

Mould Testing Fee Income

In 2014 and 2015, we provided mould testing services to Fast Precision for moulds they traded in. For the years ended 31 December 2014 and 2015, the mould testing income was HK\$0.4 million and HK\$0.1 million, and we did not record any mould testing income from Fast Precision for the year ended 31 December 2016 and the eight months ended 31 August 2017. During the Track Record Period and up to the Latest Practicable Date, we did not provide mould testing services separately to Independent Third Parties. Since the substantial portion of our mould testing costs were manufacturing costs other than raw material costs, the mould testing fee was determined after arm's length negotiations between relevant parties taking into account the number of machine hours required and our standard machine hour rate adopted for our costs estimate for integrated plastic solution process for both related parties and Independent Third Parties. We generally provide our major customers with discount when we calculate the costs or add up premium for small orders.

Rental Expenses

On 1 March 2016, we entered into a tenancy agreement with CDN Holdings to lease a premise in Hong Kong. For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, rental expenses paid to CDN Holdings were HK\$0.5 million, HK\$0.5 million, HK\$0.5 million, HK\$0.4 million and HK\$0.4 million, respectively. The terms of the tenancy agreement were negotiated on an arm's length basis and the rental payable under the tenancy agreement was in line with the then prevailing market price based on the review by an independent valuer. For details of the tenancy agreement, see "Continuing Connected Transactions – Fully Exempted Continuing Connected Transactions" in this Prospectus.

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Rental and Utilities Recharge Income

We also leased a portion of our manufacturing site in Huizhou, with a total GFA of 3,592 sq.m., to Fast Precision Huizhou for a term of two years. For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, rental and utilities recharge income paid by Fast Precision Huizhou were nil, HK\$0.6 million, HK\$1.6 million, HK\$1.1 million and HK\$0.4 million, respectively. The terms of the lease agreement were negotiated on an arm's length basis and the rental payable under the lease agreement was in line with the then prevailing market price as at the contract date and the utilities recharge income was based on the utilities expenses actually paid by us on behalf of Fast Precision Huizhou.

Management Service Income

During the Track Record Period, we provided management services such as administrative and secretarial services to Fast Precision. For the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, management service income paid by Fast Precision Huizhou were HK\$0.3 million, HK\$0.2 million, HK\$0.2 million, HK\$0.1 million and HK\$45,000, respectively. The management service fee was determined after arm's length negotiations between relevant parties taking into account of our actual staff costs for such administrative, accounting and secretarial services. We assigned two staff in 2014 and one staff thereafter to provide administrative, accounting and secretarial services to Fast Precision. Our actual staff cost for such services was comparable to the prevailing market rate for similar administrative, accounting and secretarial services.

Our Directors are of the view that terms of the related party transactions, including the rates of the considerations/ fees charged to/ by the related parties are on normal commercial terms or better to our Group and are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

Related Party Balances

Amounts Due from Related Parties

As of 31 December 2014, 2015 and 2016 and 31 August 2017, the amounts due from related parties were HK\$27.2 million, HK\$22.8 million, HK\$18.7 million and HK\$22.1 million, respectively. Amounts due from related parties included amounts due from the ultimate controlling party, amounts due from a director, amount due from related companies and amounts due from former related companies.

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The table below sets forth amounts due from related parties/former related companies as of the dates indicated.

	As of 31 December			As of
	2014	2015	2016	31 August 2017
	<i>(HK\$'000)</i>			
Amounts due from the				
ultimate controlling party	12,981	6,043	5,205	7,438
Amounts due from a director	14,019	14,884	11,858	12,170
Amounts due from related				
companies	181	1,895	1,592	1,783
Amount due from former				
related companies	–	–	–	703

Amounts due from ultimate controlling party represent our unsecured and interest-free current account with Mr. Chan, which are non-trading in nature and repayable on demand. Amounts due from a director represent our unsecured and interest-free current account with Mr. Cheng Chak, which are non-trading in nature and repayable on demand. In addition, amounts due from related parties and Fast Precision and Fast Precision Huizhou, as former related companies represent our unsecured and interest-free current account with them, which are non-trading in nature. For more information regarding the related parties, see “Appendix I – Accountants’ Report – Notes to the Historical Financial Information of the Group – Note 16(g) Due from related companies/former related companies”. The historical fluctuation in the amounts due from related parties as well as Fast Precision and Fast Precision Huizhou was primarily due to temporary advances to and repayment from them which our Directors believe were not uncommon among private entities. We did not make any provision for non-payment of the amounts due from the ultimate controlling party, related companies and former related companies during the Track Record Period. The balances was fully settled in September 2017 by cash payments to the Group and we have enhanced our internal control measures in relation to the segregation of duties and financial independence.

Amounts Due to Related Companies

As of 31 December 2014, 2015 and 2016 and 31 August 2017, the amounts due to related companies were HK\$5.7 million, HK\$11.0 million, nil and nil, respectively.

Amounts due to related companies represented non-trading current accounts due to Huizhou Shentong and Fast Precision Huizhou which are unsecured, interest-free and payable on demand. Amounts due to related companies increased from 31 December 2014 to 31 December 2015 primarily due to increased current amounts due to Huizhou Shentong. The balance was fully settled as of 31 December 2016.

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Loans from the Ultimate Controlling Party

Loans from the ultimate controlling party represented the loan from Mr. Chan, which are unsecured, interest bearing with fixed rate ranging from 6.0% to 7.2%. Loan from Mr. Chan was primarily utilised for the construction of and relocation to our new site in Huizhou. The balance was fully settled in September 2017 by cash payment from the Group. See “– Analysis of Financial Position – Trade and Other Payables – Other Payables”.

Guarantee by/to Related Parties

During the Track Record Period, some of our banking facilities, including bank borrowings and overdrafts, were secured by (i) personal guarantee provided by Mr. Chan, Mr. Cheng Chak and companies controlled by Mr. Chan, and (ii) properties owned by our Directors and their close family members. Such personal guarantees and assets pledged are expected to be released and replaced by a corporate guarantee to be given by the Company upon Listing and the relevant banks have provided their consent in this regard. In addition, our Group provided unlimited guarantee to a Hong Kong bank for banking facilities issued to Fast Precision during the Track Record Period. As of 31 December 2017, there were no outstanding bank facilities issued to Fast Precision and no outstanding guarantee provided by us. For details of the guarantee, see “– Indebtedness”.

During the Track Record Period, none of our revenue was collected by our related parties on our behalf or otherwise not directly received by us from our customers.

Our Internal Control Advisor has reviewed and tested our internal control measures, including control measures in relation to handling and monitoring related party transactions. We have implemented rectification and improvement measures, as the case may be, in response to its findings. Our Internal Control Advisor has completed the follow-up procedures on our internal control system with regard to our rectification and improvement actions, as the case may be.

It is the view of our Directors and the Sole Sponsor concurs that the related party transactions set out above were conducted in the ordinary course of business on an arm’s length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view and the Sole Sponsor concurs that our related party transactions during the Track Record Period would not distort our track record results.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

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PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2017

On the bases set out in Appendix III to this Prospectus, and in the absence of unforeseen circumstances, the estimated profit attributable to owners of our Company for the year ended 31 December 2017 is set forth below:

	Estimate for the year ended 31 December 2017
Estimated combined profit attributable to equity holders of the Company.	not less than HK\$19 million

Note: The estimated combined profit attributable to owner of the Company for year ended 31 December 2017 has taken into account of the expected listing expenses incurred for the year ended 31 December 2017 of approximately HK\$15.8 million.

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

The value of our property interests (including buildings, leasehold improvements, land use rights and construction in progress) as of 31 December 2017 as valued by Roma Appraisals Limited, an independent property valuer, was RMB317.2 million (equivalent to approximately HK\$380.6 million, calculated at the exchange rate of RMB1 = HK\$1.2 for illustration purpose). Further details of our property interests and the text of the letter and valuation certificates of these property interests prepared by Roma Appraisals Limited are set out in Appendix IV to this prospectus.

Disclosure of the reconciliation of the valuation of the interests in properties attributable to us as of 31 December 2017 and such property interests in our consolidated statements of financial position as of 31 August 2017 as required under Rule 5.07 of Listing Rules is set forth below:

	HK\$'000
Net book value of the followings as at 31 August 2017:	
Buildings	198,133
Leasehold improvement	90,846
Construction in progress	18,641
Land use rights	47,043
	<hr/>
	354,663
Less: Depreciation and amortisation for the four months ended 31 December 2017 (<i>unaudited</i>)	(3,922)
	<hr/>
Valuation surplus	350,741
	29,899
	<hr/>
Valuation as at 31 December 2017	<u>380,640</u>

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LISTING EXPENSES INCURRED AND TO BE INCURRED

The estimated total listing expenses (based on HK\$0.7 per Offer Share, being the mid-point of our indicative Offer Price range and that the Over-allotment Option is not exercised) in relation to the Global Offering are HK\$30.2 million, of which approximately (i) HK\$9.1 million is directly attributable to the issue of new Shares in the Global Offering and to be accounted for as a deduction from the equity, and (ii) HK\$21.1 million is to be charged as administrative expenses to our profit and loss accounts. Out of this amount, a total of HK\$14.7 million had been charged to our profit and loss account for the eight months ended 31 August 2017, and the remaining HK\$6.4 million is expected to be charged to our profit and loss account as administrative expenses for the four months ended 31 December 2017 and the year ending 31 December 2018.

DIVIDEND

We did not declare any dividend during the Track Record Period. Our Directors may declare dividends, if any, in Hong Kong dollars with respect to Shares on a per Share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a financial year will be subject to the Shareholders' approval. Our Directors consider that dividends to be declared and paid in future by our Group depend on a number of factors including, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, prevailing economic climate, the amount of distributable profits based on HKFRSs, the Memorandum and Articles of Association, the Companies Law, applicable laws and regulations and such other factors which our Directors may deem relevant. There is, however, no assurance that dividends will be declared or distributed in any year subsequent to the Listing.

As at the Latest Practicable Date, we did not have any specific dividend policy nor pre-determined dividend payout ratios.

DISTRIBUTABLE RESERVES

As of 31 August 2017, our reserve available for distribution to our owners amounted to HK\$181.7 million, representing the retained profits.

RECENT DEVELOPMENT

Subsequent to 31 December 2017 and up to the Latest Practicable Date, we had received an indicative credit facility of additional HK\$75.6 million from a financial institution in Hong Kong, which is expected to be issued to us by February 2018. In January 2018, we also received credit facilities of additional HK\$7.0 million from a bank in Hong Kong.

NO MATERIAL ADVERSE CHANGE

Save for the estimated listing expenses incurred during the year ended 31 December 2017, our Directors confirm that there had been no material adverse change in the financial or trading position or prospects of our Company or its subsidiaries since 31 August 2017, which is the end of the period covered by the Accountant's Report set out in "Appendix I – Accountant's Report", to the date of this Prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the section headed “Business – Our Business Strategies” in this Prospectus for a detailed description of our future plans.

USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting underwriting fees and estimated total expenses paid and payable by us in connection thereto, are estimated to be approximately HK\$78.3 million before any exercise of the Over-allotment Option, assuming an Offer Price of HK\$0.70 per Share, being the mid-point of the proposed Offer Price range of HK\$0.65 to HK\$0.75 per Share. We intend to use such net proceeds as follows:

- approximately HK\$3.0 million (approximately 3.9% of our total estimated net proceeds) for the leasehold improvement of phase II of our new site in Huizhou. We expect to complete the construction of phase II of our new site by February 2018 and the leasehold improvement in the first half of 2018.
- approximately HK\$69.8 million (approximately 89.1% of our total estimated net proceeds) for equipment upgrade and capacity expansion and related investments, including:
 - approximately HK\$57.1 million for upgrading plastic injection capabilities, which primarily entails (i) the purchase of approximately 49 sets of plastic injection machines from reputable manufacturers in the PRC, and (ii) the purchase of automated ancillary equipment for the newly purchased plastic injection machines. We intend to purchase and install such equipment in Phase II of our new site in Huizhou by the end of 2018 to replace approximately 49 sets of plastic injection machines which had an average age of 15 years as of the Latest Practicable Date and exceeded expected life span of 10 years. Therefore, we do not expect such equipment upgrading will increase our estimated annual production capacity. However, we expect that we are able to improve the precision level of the plastic components we produce, improve the sustainability of our product quality, reduce electricity consumption through such equipment upgrading, reduce maintenance costs, and increase the efficiency of our production;
 - approximately HK\$4.7 million for purchase of advanced equipment from reputable manufacturers in Taiwan for an automated mould fabrication production line. We intend to purchase such equipment by the end of 2018 and we expect our estimated annual production capacity will increase approximately 5,491 hours by the end of 2018;

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$8.0 million for purchase of advanced equipment from reputable manufacturers in the PRC for an automated PET manufacturing line. We intend to purchase such equipment by the third quarter of 2018 and we expect our estimated annual production capacity will increase approximately 5,491 hours by the third quarter of 2018;
- approximately HK\$5.5 million (approximately 7.0% of our total estimated net proceeds) to supplement our working capital.

If the Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds of the Global Offering, assuming that the Over-allotment Option is not exercised, will increase to approximately HK\$83.5 million or decrease to approximately HK\$70.8 million, respectively. In such event, we will increase or decrease the intended use of the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK\$94.1 million, assuming an Offer Price of HK\$0.70 per Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Global Offering, including the proceeds from the exercise of the Over-allotment Option, will increase by approximately HK\$16.6 million or decrease by approximately HK\$14.7 million. In such event, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

We intend to utilise the net proceeds from the Global Offering instead of bank facilities available to us to finance such capital requirements considering the additional finance expenses.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit such net proceeds into interest-bearing bank accounts with licensed banks and/or financial institutions.

The Company is not aware of any legal or regulatory restrictions with respect to the use of proceeds for the projects and plans detailed above.

UNDERWRITING

UNDERWRITERS

Hong Kong Underwriters

Wealth Link Securities Limited
Innovax Securities Limited
Marketsense Securities Limited
Grand Partners Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer initially 15,500,000 Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this Prospectus and the Application Forms.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this Prospectus by the Listing Division and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally, but not jointly, agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Public Offer Shares which are being offered but not taken up under the Hong Kong Public Offering subject to the terms and conditions of this Prospectus, the Application Forms and the Hong Kong Underwriting Agreement. In addition, the Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

UNDERWRITING

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscriptions for the Hong Kong Public Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Sole Global Coordinator (for itself and on behalf of all the Hong Kong Underwriters) shall have the absolute right by notice in writing to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if any of the following events shall occur prior to the Termination Time:-

- (a) there develops, occurs, exists or comes into force:
 - (i) any change or development involving a prospective change or development, or any event or series of events resulting or likely to result in or representing a change or development, or any prospective change or development in, local, national, regional or international financial, political, military, industrial, legal, economic, currency market, credit, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, credit markets, and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the United States, the United Kingdom, the European Union (or any member thereof), Japan, Singapore, or any other jurisdiction relevant to any member of our Group (collectively, the “**Relevant Jurisdictions**”, each a “**Relevant Jurisdiction**”); or
 - (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or
 - (iii) any event or series of events in the nature of *force majeure* (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, declaration of a national or international emergency, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, pandemic, outbreak of disease (including without limitation Severe Acute Respiratory Syndromes (SARS), Middle East Respiratory Syndromes (MERS), H5N1, H1N1, swine or avian influenza or such related/mutated forms)), economic sanctions, in or affecting any Relevant Jurisdiction; or

UNDERWRITING

- (iv) 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 calamity or crisis in or affecting any Relevant Jurisdiction; or
- (v) (A) any moratorium, suspension, restriction or limitation on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the American Stock Exchange, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, or (B) a general moratorium on commercial banking activities in any Relevant Jurisdiction declared by the relevant Authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services procedures or matters in or affecting any Relevant Jurisdiction; or
- (vi) any change or development or event involving a prospective change in taxation or exchange controls (or the implementation of exchange controls), currency exchange rates or foreign investment regulations in any Relevant Jurisdiction; or
- (vii) any imposition of economic sanction or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdiction; or
- (viii) any change or development or event involving a prospective change in our Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or
- (ix) the commencement by any judicial, regulatory, governmental or political body or organisation of any action, claim or proceedings against any Director or an announcement by any judicial, regulatory, governmental or political body or organisation that it intends to take any such action; or
- (x) a demand by any tax authority for payment for any tax liability for any member of our Group; or
- (xi) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xii) the chairman or chief executive officer of our Company vacating his office; or
- (xiii) an authority or a political body or organisation in any jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

UNDERWRITING

- (xiv) save as disclosed in the section headed “Business – Regulatory Compliance and Legal Proceedings” in this Prospectus, a contravention by any member of our Group of the Listing Rules or any applicable laws or regulations in the Cayman Islands, Hong Kong and the BVI; or
- (xv) an order or petition is presented for the winding up or liquidation of our Company or any of our subsidiaries, or our Company or any of our subsidiaries make any compromise or arrangement with its creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any of our subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any of our subsidiaries or anything analogous thereto occurs in respect of our Company or any of our subsidiaries; or
- (xvi) a demand by any creditor for repayment or payment of any of our Company’s indebtednesses or those of any of our subsidiaries or in respect of which our Company or any of our subsidiaries is liable prior to its stated maturity; or
- (xvii) any loss or damage sustained by our Company or any of our subsidiaries as a result of a breach of its respective obligations or non-compliance with the applicable laws and regulations (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xviii) any litigation or claim being threatened or instigated against our Company or any of our subsidiaries or the covenantors as defined in the Hong Kong Underwriting Agreement (“**the Covenantors**”); or
- (xix) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares (including the Shares to be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xx) non-compliance of this prospectus (of any other documents used in connection with the contemplated offer of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or
- (xxi) other than with the approval of the Sole Global Coordinator, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer of the Shares) pursuant to the Companies (WUMP) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xxii) any event which give rise or would give rise to liability on the part of our Company pursuant to the indemnity provisions in the Hong Kong Underwriting Agreement; or

UNDERWRITING

(xxiii) any change or prospective change in, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus,

and which, individually or in aggregate, in the sole and reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters),

- (A) has or may have or will have or is likely to have a materially adverse effect, whether directly or indirectly, on the assets, liabilities, business, general affairs, management, shareholders’ equity, profits, losses, trading position, results of operations, prospects, position or condition, financial or otherwise, or performance of our Company or our subsidiaries as a whole; or
 - (B) has or may have or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or
 - (C) makes, may make or will or is likely to make it impracticable or inadvisable or in expedient for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to proceed or to be performed or implemented as envisaged or to market the Global Offering; or
 - (D) makes or may make or will or is likely to make it inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or
- (b) there has come to the notice of the Sole Global Coordinator or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:
- (i) that any statement contained in the Offering Documents (as defined in the Hong Kong Underwriting Agreement), the formal notice or any announcements in the agreed form issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has or may become untrue or incorrect or misleading in a material respect, or that any forecast, expression of opinion, intention or expectation contained therein is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

UNDERWRITING

- (ii) that any matter has arisen or has been discovered which, had it arisen or been discovered immediately before the date of this prospectus which would or might constitute a material omission from this prospectus or the Application Forms and/or in any notices or announcements issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
- (iii) that any of the warranties given by our Company or the Covenantors as set out in the Hong Kong Underwriting Agreement or the International Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached; or
- (iv) that any matter, event, act or omission which gives or is likely to give rise to any liability of our Company or the Covenantors out of or in connection with any breach, inaccuracy and/or incorrectness of the warranties as set out in the Hong Kong Underwriting Agreement and/or pursuant to the indemnities given by our Company, the Covenantors or any of them under the Hong Kong Underwriting Agreement; or
- (v) that any breach of any of the obligations or undertakings of any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than the Sole Sponsor, the Hong Kong Underwriters or the International Underwriters); or
- (vi) that any adverse change or prospective adverse change in the condition, business, assets and liabilities, properties, profits, losses, results of operations, financial, general affairs, shareholders' equity, management, trading position, prospects, or condition, financial or otherwise, or performance of our Company and/or our subsidiaries, taken as a whole, whether or not arising in the ordinary course of business; or
- (vii) that our Company withdraws this prospectus and/or the Application Forms; or
- (viii) that approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of approval of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (ix) that any of the experts described under "Statutory and General Information – 5. Other Information – 5.6 Qualification of Experts" in Appendix VI to this prospectus, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears.

UNDERWRITING

Indemnity

Our Company and each of our Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Public Underwriting Agreement.

Undertakings

Undertakings to the Hong Kong Underwriters

Undertakings by our Company

We have undertaken to the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) inter alia, pursuant to the Hong Kong Underwriting Agreement, that we will not, and will procure that our subsidiaries will not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing from the date of the Hong Kong Underwriting Agreement and ending on the expiry of the six months after the Listing Date (the “**First Six-Month Period**”), (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of the share capital or any securities of our Company or any of our subsidiaries or any interest therein or any voting right or any right attaching thereto (including, but not limited to, any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein) save as pursuant to the repurchase mandate granted by our Shareholders, details of which are set out in Appendix VI to this prospectus; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein or any voting right or any other right attaching thereto; or (iii) enter into any transaction with the same economic effect as any forgoing transaction described in (i) and (ii) above; or (iv) agree or contract to, or publicly announce any intention to enter into, any foregoing transaction described in (i), (ii) and (iii) above; whether any of the foregoing transactions described in (i), (ii) and (iii) above is to be settled by delivery of shares capital or such other securities, in cash or otherwise, provided that the foregoing restrictions shall not apply to the issue of Shares by our Company pursuant to the Global Offering (including upon the exercise of the Over-allotment Option), and our Company has further agreed that, in the event of an issue or disposal of any Shares or any interest therein or any voting right or any other right attaching thereto during the six-month period immediately following the First Six-Month Period, we will take all reasonable steps to ensure that such issue or disposal will not create a disorderly or false market in the securities of our Company.

UNDERWRITING

Undertakings by the Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to the Sole Global Coordinator (acting for themselves and on behalf of the Hong Kong Underwriters) pursuant to the Hong Kong Underwriting Agreement, that except pursuant to the Global Offering (including the exercise of the Over-allotment Option) or the stock borrowing arrangement, he/it will not, without the prior written consent of the Sole Global Coordinator (acting for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules (i) at any time during the period commencing from the date of the Hong Kong Underwriting Agreement and ending on the expiry of the first six-month period (the “**First Six-Month Period**”), offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or other securities of our Company or any interest therein held by him/it or any voting right or any other right attaching thereto (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of our Company or any interest therein) whether currently held or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein or any voting right or any other right attaching thereto, whether any of the foregoing transactions is to be settled by delivery of share capital or other such securities, in cash or otherwise or offer or to agree to do any of the foregoing or announce any intention to do so, provided that the restriction shall not apply to the lending of Shares pursuant to the Stock Borrowing Agreement or any pledge or charge of Shares by our Controlling Shareholders in favour of an authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan; or (ii) at any time during the six-month period immediately following the First Six-Month Period enter into any of the transactions described in (i) above if, immediately following such transaction, he/it would cease to be the controlling shareholder (as defined in the Listing Rules) of our Company provided that the restriction shall not apply to any pledge or charge of Shares by our Controlling Shareholders in favour of an authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan; and (iii) in the event of a disposal by him/it of any share capital or any interest therein or any voting right or any other right attaching thereto during the period referred to in (ii) above, he/it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for our Shares or other securities of our Company.

UNDERWRITING

Undertakings to the Stock Exchange

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Capitalisation Issue and the Global Offering as described and contained in this Prospectus, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that, except for the circumstances as permitted by note (2) of Rule 10.07(2) of the Listing Rules, it/he/she shall not, and shall procure that the relevant registered shareholder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this Prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which he/it is shown by this Prospectus to be the beneficial owners; or
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he/she would cease to be a controlling shareholder.

Each of the Controlling Shareholders has further undertaken to our Company and the Stock Exchange that he or it will, within a period of 12 months from the Listing Date, immediately inform our Company and the Stock Exchange of:

- (i) any pledges or charges of any Shares or securities of our Company beneficially owned by him or it in favour of any authorised institution as permitted under note (2) of Rule 10.07(2) of the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and
- (ii) any indication received by him or it, either verbal or written, from the pledgee or chargee that any Shares or other securities of our Company so pledged or charged will be disposed of.

UNDERWRITING

Our Company shall, upon being informed of any of the matters referred to in above (if any) by the Controlling Shareholders, forthwith publish an announcement giving details of the same in accordance with the requirements of Listing Rules.

International Placing

In connection with the International Placing, it is expected that our Company will enter into the International Underwriting Agreement with, *inter alia*, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions, severally agree to subscribe or buy or procure subscribers or purchasers for the International Placing Shares being offered pursuant to the International Placing.

Commissions and expenses

An underwriting commission will be paid to the Underwriters, the amount of which shall be determined as follows:

1. if the gross proceeds from the Global Offering are not more than HK\$110 million (excluding any proceeds from the Over-allotment Option), 3.0% of the aggregate Offer Price of all the Offer Shares, out of which any sub-underwriting commission will be paid; and
2. if the gross proceeds from the Global Offering amount to HK\$110 million or more (excluding any proceeds from the Over-allotment Option), 5.0% of the aggregate Offer Price of all the Offer Shares, out of which any sub-underwriting commission will be paid.

The underwriting commission payable to the Underwriters, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Global Offering are estimated to amount to HK\$30.0 million in total (assuming an Offer Price of HK\$0.65, being the low-point of the indicative Offer Price range) or HK\$32.8 million in total (assuming an Offer Price of HK\$0.75, being the high-point of the indicative Offer Price range).

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of our Company nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in our Company nor any interest in the Global Offering.

UNDERWRITING

MINIMUM PUBLIC FLOAT

The Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Capitalisation Issue and the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offering of 15,500,000 Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in the paragraph headed “The Hong Kong Public Offering” of this section; and
- (b) the International Placing of an aggregate of 139,500,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States to professional institutional investors and other investors.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Placing, but may not do both. References in this Prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraphs headed “Over-allotment Option” in this section.

THE HONG KONG PUBLIC OFFERING

Number of Shares initially offered

We are initially offering 15,500,000 new Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Shares initially available under the Global Offering. Subject to the reallocation of Shares between the International Placing and the Hong Kong Public Offering, the Hong Kong Public Offer Shares will represent approximately 2.5% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised). The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional 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.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “Conditions of the Hong Kong Public Offering” of this section.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong 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 Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation) is to be divided into two pools for allocation purposes: Pool A and Pool B with any odd board lots being allocated to Pool A.

Accordingly, the maximum number of Hong Kong Public Offer Shares initially in Pool A and Pool B will be 7,752,000 and 7,748,000, respectively. The Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 7,748,000 Hong Kong Public Offer Shares (being approximately 50% of the 15,500,000 Hong Kong Public Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment pursuant to paragraph 4.2 of Practice Note 18 of the Listing Rules as follows:

- (a) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 46,500,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;

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- (b) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 62,000,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and
- (c) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will 77,500,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

Any such clawback and reallocation between the International Placing and the Hong Kong Public Offering will be completed prior to any adjustment of the number of the Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate.

In addition, the Sole Global Coordinator may reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 31,000,000 Offer Shares).

If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Placing in such proportions as the Sole Global Coordinator deems appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$0.75 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally

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determined in the manner described in the paragraph headed “Pricing of the Global Offering” of this section, is less than the maximum price of HK\$0.75 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed “How to Apply for the Hong Kong Public Offer Shares” in this Prospectus.

THE INTERNATIONAL PLACING

Number of Offer Shares offered

The International Placing will consist of an initial offering of 139,500,000 Offer Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering and approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised. The International Placing will be offered by us outside of the United States in reliance on Regulation S under the U.S. Securities Act, including to professional and institutional investors in Hong Kong.

Allocation

The International Placing will include selective marketing of the International Placing Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for the International Placing Shares. Professional 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. Allocation of the International Placing Shares pursuant to the International Placing will be effected in accordance with the “book-building” process described in the section entitled “Pricing of the Global Offering” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole.

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The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered International Placing Shares under the International Placing, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application of the Hong Kong Public Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, we intend to grant the Over-allotment Option to the International Underwriters exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters), with the prior written consent of the Company, under the International Underwriting Agreement. Under the Over-allotment Option, which will be exercisable at any time for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering, we may be required to issue at the Offer Price and otherwise on the same terms and conditions as the Shares that are subject to the Global Offering up to an additional 23,250,000 Shares in aggregate, representing approximately 15% of the total number of Shares initially available under the Global Offering. If the Over-allotment Option is exercised in full, the additional Shares made available under the Over-allotment Option will represent approximately 3.6% of the total Shares in issue immediately after completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

In order to facilitate settlement of over-allocations in the International Placing and for the purpose of stabilising of the market price of the Shares (if any), the Sole Global Coordinator may borrow up to 23,250,000 Shares, equivalent to the maximum number of Shares to be issued on the exercise of the Over-allotment Option in full, pursuant to the Stock Borrowing Agreement. The loan of Shares by the Sole Global Coordinator pursuant to the Stock Borrowing Agreement shall not be subject to the restrictions under Rule 10.07(1)(a) of the Listing Rules which restricts the disposal of Shares by our Controlling Shareholders subsequent to the date of this Prospectus, subject to compliance with the following requirements in accordance with the provisions of Rule 10.07(3) of the Listing Rules:

- (a) the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Placing;
- (b) the maximum number of Shares which may be borrowed from Oceanic Green must not exceed the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;
- (c) the same number of Shares so borrowed must be returned to Oceanic Green or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day for exercising the Over-allotment Option, and (ii) the date on which the Over-allotment Option is exercised in full;

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- (d) the borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- (e) no payments will be made to Oceanic Green by the Stabilising Manager in relation to the Stock Borrowing Agreement.

STABILISATION

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the International Underwriters, may over-allocate or effect transactions with a view to 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. Such transactions, if commenced, may be discontinued at any time but any stabilising activity is required to be brought to an end no later than the 30th day after the last day for lodging Application Forms under the Hong Kong Public Offering. The Stabilising Manager has been or will be appointed as stabilising manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO and, should stabilising transactions be effected in connection with the Global Offering, this will be at the absolute discretion of the Stabilising Manager.

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager or any person acting for it may cover such over-allocation by (among other methods) making purchases in the secondary market, exercising the Over-allotment Option in full or in part, or by any combination of purchases and the exercise of the Over-allotment Option. Any such purchases will be made in compliance with all applicable laws and regulatory requirements including the Securities and Futures (Price Stabilizing) Rules made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which are the subject of the Over-allotment Option, being 23,250,000 Shares representing approximately 15% of the Shares initially available under the Global Offering.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, 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 subscribing for, or agreeing to purchase or subscribe for, 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).

STRUCTURE OF THE GLOBAL OFFERING

Specifically, prospective applicants for and investors in Shares should note that:

- The Stabilising Manager may, in connection with the stabilising action, maintain a long position in the Shares;
- There is no certainty regarding the extent to which and the time period for which the Stabilising Manager will maintain such a position;
- Liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of the Shares;
- No stabilising action will be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and is expected to expire at the end of 30 March 2018, being the 30th day after the last day for lodging Application Forms under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- The price of any security (including the Shares) cannot be assured to stay at or above its offer price by the taking of any stabilising action; and
- Stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

A public announcement, as required by the Securities and Futures (Price Stabilizing) Rules made under the SFO, will be made within seven days of the expiration of the stabilising period.

Pricing of the Global Offering

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of the International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Thursday, 1 March 2018, and in any event on or before Friday, 2 March 2018, by agreement between the Sole Global Coordinator (for on behalf of the Underwriters), and our Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

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The Offer Price will not be more than HK\$0.75 per Share and is expected to be not less than HK\$0.65 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this Prospectus.

The Sole Global Coordinator (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative offer price range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the website of our Company (www.hktcgroup.com) and the website of the Stock Exchange (www.hkexnews.hk) a notice of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the offer price, if agreed upon by the Sole Global Coordinator (on behalf of the Underwriters) and our Company, will be fixed within such revised offer price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement as currently disclosed in the section headed “Financial Information – Working Capital” in this Prospectus and Global Offering statistics as currently set out in the section headed “Summary” in this Prospectus, and any other financial information which may change as a result of such reduction. Before submitting applications for the Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Sole Global Coordinator, will under no circumstances be set outside the offer price range as stated in this Prospectus.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK\$78.3 million, assuming an Offer Price per Share of HK\$0.70 (being the mid-point of the stated indicative Offer Price range of HK\$0.65 to HK\$0.75 per Share) or if the Over-allotment Option is exercised in full, approximately HK\$94.1 million, assuming an Offer Price per Share of HK\$0.70 (being the mid-point of the stated indicative Offer Price range of HK\$0.65 to HK\$0.75 per Share).

STRUCTURE OF THE GLOBAL OFFERING

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of the Hong Kong Public Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Wednesday, 7 March 2018 on the website of our Company (www.hktcgroup.com) and the website of the Stock Exchange (www.hkexnews.hk).

Underwriting Agreements

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company, our Controlling Shareholders, our executive Directors, the Sole Global Coordinator and the International Underwriters expect to enter into the International Underwriting Agreement relating to the International Placing on or around the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed “Underwriting” in this Prospectus.

The Shares will be eligible for CCASS

All necessary arrangements have been made to enable the Shares to be admitted into the CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares 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 date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for the Hong Kong Public Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment);
- (b) the Offer Price having been fixed on or about the Price Determination Date;
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

STRUCTURE OF THE GLOBAL OFFERING

- (d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this Prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for and on behalf of the Underwriters), or the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published on the websites of the Stock Exchange of www.hkexnews.hk and our Company at www.hktcgroup.com on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for the Hong Kong Public Offer Shares” in this Prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Shares are expected to be issued on Wednesday, 7 March 2018 but will only become valid certificates of title at 8:00 a.m. on Thursday, 8 March 2018 Hong Kong Public Offering provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination” in this Prospectus has not been exercised.

Dealings

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 8 March 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 8 March 2018.

The Shares will be traded in board lots of 4,000 Shares each.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via **HK eIPO White Form** service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company or the Sole Global Coordinator, HK eIPO White Form Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong 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 (other than qualified domestic institutional investors).

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must (i) have a valid Hong Kong identity card number and (ii) provide a valid email address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator (or its agents or nominees) may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

The number of joint applicants may not exceed four for the Hong Kong Public Offer Shares and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for or indicated an interest in any International Placing Shares under the International Placing.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which application channel to use

For Hong Kong Public Offer Shares to be issued in your own name use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Hong Kong 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 Wednesday, 14 February 2018 to 12:00 noon on Wednesday, 28 February 2018 from:

- (i) any of the following addresses of the Hong Kong Underwriters:

Wealth Link Securities Limited
Unit B1, 5/F
Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

Innovax Securities Limited
Units A-C, 20/F
Neich Tower
128 Gloucester Road
Wan Chai
Hong Kong

Marketsense Securities Limited
Unit 7801-7803, 78/F
The Centre
99 Queen's Road Central, Central
Hong Kong

Grand Partners Securities Limited
9/F, Connaught Harbourfront House
35-36 Connaught Road West
Hong Kong

- (ii) any of the following branches of Standard Chartered Bank (Hong Kong) Limited, the receiving bank for the Hong Kong Public Offering:

<u>Branch Name</u>	<u>Address</u>
Wanchai Southorn Branch	Shop C2 on G/F and 1/F to 2/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
Tsimshatsui Branch	Shop G30 & B117-23, G/F, Mira Place One, 132 Nathan Road, Tsim Sha Tsui
Maritime Square Branch	Shop 308E, Level 3, Maritime Square, Tsing Yi

You can collect a **YELLOW** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Wednesday, 14 February 2018 until 12:00 noon on Wednesday, 28 February 2018 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 "HORSFORD NOMINEES LIMITED – TIAN CHANG GROUP PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Wednesday, 14 February 2018 – 9:00 a.m. to 5:00 p.m.
Thursday, 15 February 2018 – 9:00 a.m. to 5:00 p.m.
Tuesday, 20 February 2018 – 9:00 a.m. to 5:00 p.m.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

Wednesday, 21 February 2018 – 9:00 a.m. to 5:00 p.m.
Thursday, 22 February 2018 – 9:00 a.m. to 5:00 p.m.
Friday, 23 February 2018 – 9:00 a.m. to 5:00 p.m.
Saturday, 24 February 2018 – 9:00 a.m. to 1:00 p.m.
Monday, 26 February 2018 – 9:00 a.m. to 5:00 p.m.
Tuesday, 27 February 2018 – 9:00 a.m. to 5:00 p.m.
Wednesday, 28 February 2018 – 9:00 a.m. to 12:00 noon

The application for the Hong Kong Public Offer Shares will commence on Wednesday, 14 February 2018 through Wednesday, 28 February 2018, being slightly longer than normal market practice of four days.

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 28 February 2018, the last application day or such later time as described in the paragraph headed “Effect of bad weather conditions on the opening of the applications lists” of this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (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 for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole 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 Hong Kong 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, the Companies (WUMP) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this Prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this Prospectus and have only relied on the information and representations contained in this Prospectus in making your application and will not rely on any other information or representations except those in any supplement to this Prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this Prospectus;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- (vi) agree that none of our Company, the Sole 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 International Placing Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, the Hong Kong Share Registrar, receiving bank, the Sole Sponsor, 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 Sole Sponsor, the Sole Global Coordinator, the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Prospectus and the Application Form;
- (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 Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong 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 Hong Kong 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 Hong Kong Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any E-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- (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 and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK EIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website www.hkeipo.hk.

Detailed instruction for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 14 February 2018 until 11:30 a.m. on Wednesday, 28 February 2018 and the latest time for completing full payment of application monies in respect of such application will be 12:00 noon on Wednesday, 28 February 2018 or such later time under the paragraph headed “Effect of bad weather conditions on the opening of the application lists” of this section.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

No multiple applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, the Company and other parties involved in the preparation of this Prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong 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 (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

You can also collect a Prospectus from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong 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 and our Hong Kong Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong 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 Hong Kong 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 International Placing Shares under the International Placing;
 - declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors, the Sole Sponsor and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made, save as set out in any supplement to this Prospectus;
- agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this Prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Hong Kong Share Registrar, receiving bank, the Sole Sponsor and the Sole Global Coordinator and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus;

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public 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 Hong Kong 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 itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (WUMP) Ordinance, the Articles; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong 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.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

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 4,000 Hong Kong Public Offer Shares. Instructions for more than 4,000 Hong Kong 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 Hong Kong 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:

Wednesday, 14 February 2018	– 9:00 a.m. to 8:30 p.m. ⁽¹⁾
Thursday, 15 February 2018	– 8:00 a.m. to 8:30 p.m. ⁽¹⁾
Tuesday, 20 February 2018	– 8:00 a.m. to 8:30 p.m. ⁽¹⁾
Wednesday, 21 February 2018	– 8:00 a.m. to 8:30 p.m. ⁽¹⁾
Thursday, 22 February 2018	– 8:00 a.m. to 8:30 p.m. ⁽¹⁾
Friday, 23 February 2018	– 8:00 a.m. to 8:30 p.m. ⁽¹⁾
Saturday, 24 February 2018	– 8:00 a.m. to 1:00 p.m. ⁽¹⁾
Monday, 26 February 2018	– 8:00 a.m. to 8:30 p.m. ⁽¹⁾
Tuesday, 27 February 2018	– 8:00 a.m. to 8:30 p.m. ⁽¹⁾
Wednesday, 28 February 2018	– 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.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 14 February 2018 until 12:00 noon on Wednesday, 28 February 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 28 February 2018, the last application day or such later time as described in the paragraph headed “Effect of bad weather conditions on the opening of the application lists” of this section.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong 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 Hong Kong 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 Hong Kong Companies (WUMP) Ordinance.

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by us, the Hong Kong Share Registrar, the receiving bank, the Sole 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.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong 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/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 28 February 2018.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

8. HOW MANY APPLICATIONS YOU CAN MAKE

Multiple applications for the Hong Kong 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 or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

9. HOW MUCH ARE THE HONG KONG 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 Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 4,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), 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 of the Global Offering” of this Prospectus.

10. EFFECT OF BAD WEATHER CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 28 February 2018. 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 Wednesday, 28 February 2018 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” of this Prospectus, an announcement will be made in such event.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Wednesday, 7 March 2018 on our Company's website at www.hktcgroup.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering 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.hktcgroup.com and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, 7 March 2018;
- 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, 7 March 2018 to midnight on Tuesday, 13 March 2018;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 and 6:00 p.m. from Wednesday, 7 March 2018 to Monday, 12 March 2018 on a business day;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 7 March 2018 to Friday, 9 March 2018 at all the receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" of 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.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong 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 or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this Prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) 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.

(ii) If the Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Sponsor and the Sole Global Coordinator, the HK eIPO Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

(iii) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee 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 Committee 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;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions of the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Sponsor or the Sole Global Coordinator believe(s) 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 7,748,000 Public Offer Shares under the Hong Kong Public Offering.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$0.75 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering” of 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, 7 March 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong 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 Hong Kong 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).

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

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

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, 7 March 2018. 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, 8 March 2018 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" of 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 Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Company's Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 7 March 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong 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, 7 March 2018 by ordinary post and at your own risk.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 7 March 2018, 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, 7 March 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(iii) If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Hong Kong Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS Participant.

(iv) If you are applying as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "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, 7 March 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(v) If you apply through HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from our Company's Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 7 March 2018 or such other date as notified by the Company in the newspapers as at the date of despatch/collection of share certificate(s)/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your application instructions by ordinary post at your own risk.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your share certificate(s) (where application) will be sent to the address on the relevant application instructions on Wednesday, 7 March 2018 by ordinary post and at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(vi) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong 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, 7 March 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Wednesday, 7 March 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 7 March 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR THE HONG KONG PUBLIC OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong 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, 7 March 2018. Immediately following the credit of the Hong Kong 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 Hong Kong 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 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, 7 March 2018.

15. 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 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, received from the Company's reporting accountants, Mazars CPA Limited, Certified Public Accountants, for the purpose of incorporation in this Prospectus.



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瑪澤會計師事務所有限公司
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INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF TIAN CHANG GROUP HOLDINGS LIMITED

The Directors
Tian Chang Group Holdings Limited
Innovax Capital Limited

Introduction

We report on the historical financial information of Tian Chang Group Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages I-4 to I-66, which comprises the combined statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and 31 August 2017, and the statement of financial position of the Company as at 31 August 2017, the combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2017 (the “**Track Record Periods**”) and a summary of significant accounting policies and other explanatory information (the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-66 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 14 February 2018 (the “**Prospectus**”) in connection with the initial listing of shares (the “**Initial Listing**”) of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 1.2 and Note 2.1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. The report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 (the "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 depended on our 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, we considered internal control relevant to the Group's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Note 1.2 and Note 2.1 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 Group's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, 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 Group's financial position as at 31 December 2014, 2015 and 2016 and 31 August 2017 and the financial position of the Company as at 31 August 2017 and of the Group's financial performance and cash flows for the Track Record Periods in accordance with the basis of presentation and preparation set out in Note 1.2 and Note 2.1 to the Historical Financial Information.

Stub Period Comparative Financial Information

We have reviewed the stub period comparative financial information of the Group which comprises the combined income statement, the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the eight months ended 31 August 2016 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis

of presentation and preparation set out in Note 1.2 and Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Note 1.2 and Note 2.1 to the Historical Financial Information.

Report on other matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Historical Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 10 to the Historical Financial Information which states that no dividends have been paid nor proposed by the Group in respect of the Track Record Periods.

Preparation or audit of financial statements

At the date of this report, no statutory audited financial statements have been prepared for the Company since its date of incorporation.

Note 1.1 to the Historical Financial Information contains information about whether the financial statements of the members of the Group for the Track Record Periods have been audited and, if applicable, the name of the auditors.

Mazars CPA Limited

Certified Public Accountants

Hong Kong, 14 February 2018

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of the accountants' report.

The financial statements of the Group for the Track Record Periods, on which the Historical Financial Information is based, were prepared by the directors of the Company in accordance with the accounting policies that conform with Hong Kong Financial Reporting Standards issued by the HKICPA (the “**Historical Financial Statements**”) and were audited by Mazars CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (“**HK\$’000**”) except otherwise indicated.

(A) Combined Income Statements

	Note	Year ended 31 December			Eight months ended 31 August	
		2014	2015	2016	2016	2017
		HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Revenue	4	548,679	401,178	555,561	353,321	364,454
Cost of goods sold		(407,831)	(304,058)	(427,386)	(273,633)	(281,889)
Gross profit		140,848	97,120	128,175	79,688	82,565
Other income	5	3,939	3,658	8,296	3,381	2,752
Selling and distribution costs		(10,435)	(8,522)	(11,570)	(7,984)	(8,884)
Administrative and other operating expenses		(57,432)	(55,473)	(66,584)	(44,758)	(42,932)
Finance costs	6	(6,634)	(13,087)	(13,320)	(9,166)	(9,790)
Listing expenses		–	–	–	–	(14,706)
Profit before tax	6	70,286	23,696	44,997	21,161	9,005
Income tax expenses	9	(17,650)	(5,935)	(11,140)	(5,086)	(5,995)
Profit for the year/period		<u>52,636</u>	<u>17,761</u>	<u>33,857</u>	<u>16,075</u>	<u>3,010</u>
Earnings per share attributable to equity holders of the Company	11	11.32 HK cents	3.82 HK cents	7.28 HK cents	3.46 HK cents	0.65 HK cents

(B) Combined Statements of Comprehensive Income

	Year ended 31 December			Eight months ended 31 August	
	2014	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Profit for the year/period	52,636	17,761	33,857	16,075	3,010
Other comprehensive (loss) income:					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Changes in fair value of available-for-sale financial assets	14	369	210	175	198
Exchange difference on combination	(2,435)	(11,911)	(29,147)	(14,811)	9,843
	(2,421)	(11,542)	(28,937)	(14,636)	10,041
Total comprehensive income for the year/period	<u>50,215</u>	<u>6,219</u>	<u>4,920</u>	<u>1,439</u>	<u>13,051</u>

(C) Combined Statements of Financial Position

	Note	At 31 December			At
		2014	2015	2016	31 August
		HK\$'000	HK\$'000	HK\$'000	2017
					HK\$'000
Non-current assets					
Property, plant and equipment	12	370,758	404,373	372,550	398,839
Prepaid land lease payments	13	53,260	50,049	45,112	45,944
Available-for-sale financial assets	14	1,844	6,595	7,514	10,435
Deferred tax assets	24	2,832	8,036	7,453	2,965
		<u>428,694</u>	<u>469,053</u>	<u>432,629</u>	<u>458,183</u>
Current assets					
Prepaid land lease payments	13	1,200	1,153	1,063	1,099
Inventories	15	26,835	44,459	65,698	51,727
Other investments	17	15,240	3,660	–	–
Trade and other receivables	16	110,645	110,566	114,169	115,735
Income tax recoverable		–	742	–	807
Bank balances and cash		21,904	25,607	18,919	33,955
		<u>175,824</u>	<u>186,187</u>	<u>199,849</u>	<u>203,323</u>
Current liabilities					
Trade and other payables	18	66,783	84,892	90,325	96,075
Bank overdrafts	19	3,705	2,116	5,826	1,365
Income tax payables		991	1,770	3,062	1,977
Payables for construction in progress	20	47,870	55,743	26,012	30,308
Interest-bearing borrowings	21	73,184	125,056	140,834	184,038
Obligations under finance leases	22	2,575	7,344	10,233	11,358
		<u>195,108</u>	<u>276,921</u>	<u>276,292</u>	<u>325,121</u>
Net current liabilities		<u>(19,284)</u>	<u>(90,734)</u>	<u>(76,443)</u>	<u>(121,798)</u>
Total assets less current liabilities		<u>409,410</u>	<u>378,319</u>	<u>356,186</u>	<u>336,385</u>
Non-current liabilities					
Payables for construction in progress	20	68,288	35,003	17,414	5,013
Interest-bearing borrowings	21	57,150	42,700	33,741	19,773
Obligations under finance leases	22	3,822	14,229	16,816	13,176
Loans from the Ultimate					
Controlling Party	23	34,480	30,529	28,598	27,176
Deferred tax liabilities	24	9,721	13,690	12,529	11,108
		<u>173,461</u>	<u>136,151</u>	<u>109,098</u>	<u>76,246</u>
NET ASSETS		<u>235,949</u>	<u>242,168</u>	<u>247,088</u>	<u>260,139</u>
Capital and reserves					
Share capital	25(a)	–	–	–	–
Reserves	26	235,949	242,168	247,088	260,139
TOTAL EQUITY		<u>235,949</u>	<u>242,168</u>	<u>247,088</u>	<u>260,139</u>

(D) Statement of Financial Position

		At
		31 August
		2017
	<i>Note</i>	<i>HK\$</i>
Non-current assets		
Investments in subsidiaries	25(b)	<u>16</u>
Current assets		
Other receivables		<u>300</u>
Current liabilities		
Other payables		<u>16</u>
Net current assets		<u>284</u>
NET ASSETS		<u><u>300</u></u>
Capital and reserves		
Share capital	25(a)	<u>300</u>
TOTAL EQUITY		<u><u>300</u></u>

(E) Combined Statements of Changes in Equity

	Share capital	Capital reserve	Statutory reserve	Translation reserve	Revaluation reserve	Accumulated profits	Total
	HK\$'000 (Note 25(a))	HK\$'000 (Note 26(a))	HK\$'000 (Note 26(b))	HK\$'000 (Note 26(c))	HK\$'000 (Note 26(d))	HK\$'000	HK\$'000
<u>Year ended 31 December 2014</u>							
At 1 January 2014	–	77,810	418	28,674	(61)	78,893	185,734
Profit for the year	–	–	–	–	–	52,636	52,636
Other comprehensive income (loss): <i>Items that may be reclassified subsequently to profit or loss</i>							
Changes in fair value of available-for- sale financial assets	–	–	–	–	14	–	14
Exchange difference on combination	–	–	–	(2,435)	–	–	(2,435)
Total comprehensive income for the year	–	–	–	(2,435)	14	52,636	50,215
Transactions with owners:							
Appropriation of statutory reserve	–	–	692	–	–	(692)	–
At 31 December 2014	–	77,810	1,110	26,239	(47)	130,837	235,949
<u>Year ended 31 December 2015</u>							
At 1 January 2015	–	77,810	1,110	26,239	(47)	130,837	235,949
Profit for the year	–	–	–	–	–	17,761	17,761
Other comprehensive income (loss): <i>Items that may be reclassified subsequently to profit or loss</i>							
Changes in fair value of the available- for-sale financial assets	–	–	–	–	369	–	369
Exchange difference on combination	–	–	–	(11,911)	–	–	(11,911)
Total comprehensive income for the year	–	–	–	(11,911)	369	17,761	6,219
Transactions with owners:							
Appropriation of statutory reserve	–	–	1,557	–	–	(1,557)	–
At 31 December 2015	–	77,810	2,667	14,328	322	147,041	242,168

APPENDIX I

ACCOUNTANTS' REPORT

	Share capital	Capital reserve	Statutory reserve	Translation reserve	Revaluation reserve	Accumulated profits	Total
	HK\$'000 (Note 25(a))	HK\$'000 (Note 26(a))	HK\$'000 (Note 26(b))	HK\$'000 (Note 26(c))	HK\$'000 (Note 26(d))	HK\$'000	HK\$'000
<u>Year ended 31 December 2016</u>							
At 1 January 2016	–	77,810	2,667	14,328	322	147,041	242,168
Profit for the year	–	–	–	–	–	33,857	33,857
Other comprehensive income (loss): <i>Items that may be reclassified subsequently to profit or loss</i>							
Changes in fair value of available-for- sale financial assets	–	–	–	–	210	–	210
Exchange difference on combination	–	–	–	(29,147)	–	–	(29,147)
Total comprehensive income for the year	–	–	–	(29,147)	210	33,857	4,920
Transactions with owners:							
Appropriation of statutory reserve	–	–	2,170	–	–	(2,170)	–
At 31 December 2016	–	77,810	4,837	(14,819)	532	178,728	247,088
<u>Eight months ended 31 August 2016 (unaudited)</u>							
At 1 January 2016	–	77,810	2,667	14,328	322	147,041	242,168
Profit for the period	–	–	–	–	–	16,075	16,075
Other comprehensive income (loss): <i>Items that may be reclassified subsequently to profit or loss</i>							
Changes in fair value of available-for- sale financial assets	–	–	–	–	175	–	175
Exchange difference on combination	–	–	–	(14,811)	–	–	(14,811)
Total comprehensive income for the period	–	–	–	(14,811)	175	16,075	1,439
At 31 August 2016	–	77,810	2,667	(483)	497	163,116	243,607
<u>Eight months ended 31 August 2017</u>							
At 1 January 2017	–	77,810	4,837	(14,819)	532	178,728	247,088
Profit for the period	–	–	–	–	–	3,010	3,010
Other comprehensive income: <i>Items that may be reclassified subsequently to profit or loss</i>							
Changes in fair value of available-for- sale financial assets	–	–	–	–	198	–	198
Exchange difference on combination	–	–	–	9,843	–	–	9,843
Total comprehensive income for the period	–	–	–	9,843	198	3,010	13,051
At 31 August 2017	–	77,810	4,837	(4,976)	730	181,738	260,139

(F) Combined Statements of Cash Flows

	Note	Year ended 31 December			Eight months ended 31 August	
		2014	2015	2016	2016	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)	
OPERATING ACTIVITIES						
Cash generated from operations	27	78,606	63,035	60,393	74,514	53,393
Income tax paid		(7,205)	(6,832)	(9,099)	(4,855)	(5,148)
Net cash from operating activities		71,401	56,203	51,294	69,659	48,245
INVESTING ACTIVITIES						
Interest received		360	193	76	38	29
Purchase of property, plant and equipment		(75,407)	(51,474)	(14,516)	(14,516)	(16,349)
Purchase of available-for-sale financial assets		(710)	(4,382)	(709)	(709)	(2,723)
Proceeds from disposals of property, plant and equipment		1,727	74	–	–	–
Redemption of other investments		–	14,697	3,374	2,400	–
Purchase of other investments		(12,700)	(3,717)	–	–	–
Net cash used in investing activities		(86,730)	(44,609)	(11,775)	(12,787)	(19,043)
FINANCING ACTIVITIES						
Inception of interest-bearing borrowings		255,130	272,286	271,248	142,535	268,505
Interest paid and capitalised into property, plant and equipment		(3,423)	(1,108)	–	–	–
Repayment of interest-bearing borrowings		(239,625)	(232,461)	(259,982)	(154,217)	(241,339)
Repayment of loans from the Ultimate Controlling Party		(10,103)	(2,938)	–	–	(2,200)
Repayment of payables for construction in progress		–	(30,513)	(45,279)	(34,493)	(18,553)
Repayment of obligations under finance leases		(1,303)	(3,672)	(7,343)	(5,799)	(7,441)
Interest paid		(5,830)	(8,185)	(9,639)	(6,095)	(8,346)
Net cash used in financing activities		(5,154)	(6,591)	(50,995)	(58,069)	(9,374)
Net (decrease) increase in cash and cash equivalents		(20,483)	5,003	(11,476)	(1,197)	19,828
Cash and cash equivalents at the beginning of the year/period		38,611	18,199	23,491	23,491	13,093
Effect on exchange rate changes		71	289	1,078	565	(331)
Cash and cash equivalents at the end of the year/period, represented by bank balances and cash		18,199	23,491	13,093	22,859	32,590
Analysis of the balances of cash and cash equivalents						
Bank balances and cash		21,904	25,607	18,919	28,490	33,955
Bank overdrafts		(3,705)	(2,116)	(5,826)	(5,631)	(1,365)
		18,199	23,491	13,093	22,859	32,590

NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE GROUP

1. GENERAL INFORMATION, GROUP REORGANISATION AND BASIS OF PRESENTATION

1.1 General information and group reorganisation

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 26 April 2017. The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal place of business is situated at Unit 6, 13/F, Block B, Hoi Luen Industrial Centre, 55 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. During the Track Record Periods, the Group is principally engaged in manufacturing and sales of electronic cigarettes products ("e-cigarettes products") and providing integrated plastic solutions in Hong Kong and in the People's Republic of China (the "PRC").

Pursuant to a group reorganisation (the "Reorganisation"), which was completed on 12 June 2017, as detailed in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" of the Prospectus issued in connection with the Initial Listing on the Main Board of the Stock Exchange, the Company became the holding company of the entities now comprising the Group.

At the date of this report, the particulars of the Company's subsidiaries, which are private limited liability companies, of which the Company has direct/indirect interests are as follows:

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued/ Paid up capital	Attributable equity interest held by the Company	Principal activities/ place of operation
<i>Directly held by the Company</i>					
Tian Chang Investments Limited ("Tian Chang BVI")	The British Virgin Islands (the "BVI")	20 April 2017	United States Dollar ("US\$")1	100%	Investment holding/ Hong Kong
Sun Leader Holdings Limited ("Sun Leader BVI")	The BVI	20 April 2017	US\$1	100%	Investment holding/ Hong Kong
<i>Indirectly held by the Company</i>					
Tian Chang Holdings Limited ("Tian Chang HK")	Hong Kong	16 May 2006	HK\$10,000	100%	Investment holding/ Hong Kong
Tian Chang Industrial Limited ("Tian Chang Industrial")	Hong Kong	13 June 2006	HK\$10,000	100%	Sales of e-cigarettes products and providing integrated plastic solutions/ Hong Kong
天長實業(深圳)有限公司 Tian Chang Industrial (Shenzhen) Limited* ("Tian Chang Shenzhen")	The PRC	26 September 2006	HK\$100,000,000	100%	Manufacturing and sales of e-cigarettes products and providing integrated plastic solutions/ The PRC
惠州市天長實業有限公司 Huizhou Tian Chang Industrial Company Limited* ("Tian Chang Huizhou")	The PRC	22 March 2011	Renminbi ("RMB") 50,000,000	100%	Manufacturing and sales of e-cigarettes products and providing integrated plastic solutions/ The PRC

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued/ Paid up capital	Attributable equity interest held by the Company	Principal activities/ place of operation
Sun Leader Mould Industrial Limited ("Sun Leader HK")	Hong Kong	27 September 2000	HK\$1,000,000	100%	Providing integrated plastic solutions/ Hong Kong
新利達模具(深圳)有限公司 Sun Leader Mould Industrial (Shenzhen) Limited* ("Sun Leader Shenzhen")	The PRC	17 June 2011	HK\$56,000,000	100%	Providing integrated plastic solutions/ The PRC
新利達模具實業(惠州)有限公司 Sun Leader Mould Industrial (Huizhou) Limited* ("Sun Leader Huizhou")	The PRC	27 June 2011	HK\$80,000,000	100%	Providing integrated plastic solutions/ The PRC

* English translation for identification purpose only.

The financial statements, as prepared in accordance with respective local financial reporting standards, of the Company's subsidiaries that fall into the Track Record Periods have been audited as follows:

Subsidiary	Financial period	Auditors
Tian Chang HK	Year ended 31 December 2014	Prime & Co.
	Years ended 31 December 2015 and 2016	Mazars CPA Limited
Tian Chang Industrial	Year ended 31 December 2014	Prime & Co.
	Years ended 31 December 2015 and 2016	Mazars CPA Limited
Tian Chang Shenzhen	Years ended 31 December 2014, 2015 and 2016	深圳稅博會計師事務所 (Shenzhen Shuibó Certified Public Accountants Limited*)
Tian Chang Huizhou	Years ended 31 December 2014, 2015 and 2016	惠州市正大會計師事務所有限公司 (Huizhou Zhengda Certified Public Accountants Company Limited*)
Sun Leader HK	Year ended 31 December 2014	Prime & Co.
	Years ended 31 December 2015 and 2016	Mazars CPA Limited
Sun Leader Shenzhen	Years ended 31 December 2014, 2015 and 2016	深圳稅博會計師事務所 (Shenzhen Shuibó Certified Public Accountants Limited*)
Sun Leader Huizhou	Years ended 31 December 2014, 2015 and 2016	惠州市正大會計師事務所有限公司 (Huizhou Zhengda Certified Public Accountants Company Limited*)

* English translation for identification purpose only.

No statutory audited financial statements have been prepared by Tian Chang BVI and Sun Leader BVI for the period from their respective dates of incorporation to the date of this report as they are not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

1.2 Basis of presentation

Immediately prior to and after the Reorganisation, the Company and its subsidiaries now comprising the Group are ultimately controlled by Mr. Chan Tsan Lam (the “**Ultimate Controlling Party**”). The Group’s business is mainly conducted through Tian Chang Industrial, Tian Chang Shenzhen, Tian Chang Huizhou, Sun Leader HK, Sun Leader Shenzhen and Sun Leader Huizhou. The Company is an investment holding company and has not been involved in any other significant activities prior to and after the Reorganisation. Because the Reorganisation did not result in any change in the management and the ultimate control of the Group’s business, it is considered as a business combination under common control. Accordingly, the Historical Financial Information as included in this report is prepared using the carrying values of the entities involved in the Reorganisation for all periods presented on a basis in accordance with the principles of merger accounting as set out in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA.

As further explained in the paragraph headed “Basis of combinations” in Note 2.3, the Historical Financial Information presents the combined financial performance, combined changes in equity, combined cash flows and combined financial positions of the entities now comprising the Group as if the current group structure had always been in existence and the Group is regarded as a continuing entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The Historical Financial Information has been prepared in accordance with the basis set out below which conforms with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong.

The Historical Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The HKICPA has issued a number of new/revised HKFRSs during the Track Record Periods. For the purpose of the Historical Financial Information, the Group has consistently adopted all these new/revised HKFRSs that are relevant to its operations and are effective during the Track Record Periods.

As at 31 August 2017, the current liabilities of the Group exceeded its current assets by approximately HK\$121,798,000.

As at 31 December 2017, the Group had unutilised banking facilities of approximately HK\$182,207,000 and was granted additional indicative credit facility of approximately HK\$75,600,000.

The directors of the Company are of the opinion that, taking into account the confirmed and indicated credit commitments from financial institutions and internal financial resources of the Group, the Group has sufficient working capital for its present requirements. Hence, the Historical Financial Information has been prepared on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the Historical Financial Information.

A summary of the principal accounting policies adopted by the Group in preparing the Historical Financial Information is set out below.

2.2 Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is historical cost, except for the unlisted investments of key management insurance contracts and other investments classified as available-for-sale financial assets which are measured at fair value as explained in the accounting policy set out below.

2.3 Basis of combinations

The Historical Financial Information comprises the financial statements of the Company and all of its subsidiaries for the Track Record Periods. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

The net assets of the combining entities or businesses are combined using the existing carrying values from the Ultimate Controlling Party's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the Ultimate Controlling Party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded have been recognised directly in equity as part of the capital reserve. The Historical Financial Information includes the results of each of the combining entities or businesses from the date of incorporation/establishment or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

Transaction costs, including professional fees, registration fees, costs 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.

2.4 Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss. The carrying amount of the investments is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the profit or loss during the period in which they are incurred.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction in progress, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings	50 years or over the lease term, as appropriate
Leasehold improvements	20 years or over the lease term, as appropriate
Furniture and fixtures	5 years
Machinery and equipment	5-10 years
Motor vehicles	3 years
Computer	5-10 years

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Construction in progress represents buildings, leasehold improvements and machinery and equipment under construction. It is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when the construction is completed and the asset is ready for use.

2.6 Prepaid land lease payments

Prepaid land lease payments are up-front payments to acquire fixed term interests in lessee-occupied land that are classified as operating leases. The premiums are stated at cost less accumulated amortisation and impairment losses and are amortised over the period of the lease on a straight-line basis to profit or loss.

2.7 Research and development cost

Research costs are expensed as incurred. Costs incurred in development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred.

2.8 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) the Group transfers substantially all the risks and rewards of ownership of the financial asset, or (b) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets and financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets or financial liabilities.

(1) Loans and receivables

Loans and receivables including trade and other receivables and bank balances and cash are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the period to maturity. Gains and losses arising from derecognition, impairment or through the amortisation process are recognised in profit or loss.

(2) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated at this category or not classified in any of the other categories of financial assets. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months at the end of the reporting period.

The unlisted investments of key management insurance contracts and other investments are measured at fair value with changes in value recognised as a separate component of equity until the assets are sold, collected or otherwise disposed of, or until the assets are determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income shall be reclassified to profit or loss as a reclassification adjustment.

(3) *Financial liabilities*

The Group's financial liabilities include trade and other payables, bank overdrafts, loans from the Ultimate Controlling Party, interest-bearing borrowings, payables for construction in progress and obligations under finance leases. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

(4) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the Track Record Periods, respectively. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, respectively, or where appropriate, a shorter period.

(5) *Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer of the contract to make specified payments to reimburse the holder of the contract for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contract is initially recognised as deferred income within trade and other payables at fair value (being the transaction price, unless the fair value can otherwise be reliably estimated). Subsequently, it is measured at the higher of (i) the amount initially recognised, less accumulated amortisation, and (ii) the amount of the provision, if any, that is required to settle the commitment at the end of each reporting period.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that financial assets are impaired.

The impairment loss of financial assets carried at amortised cost is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the financial assets' original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is impaired, a cumulative loss comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and current fair value, less any previously recognised impairment loss in profit or loss, is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss in respect of available-for-sale equity instrument are not reversed through profit or loss. Any subsequent increase in fair value of available-for-sale equity instrument after recognition of impairment loss is recognised in equity. Reversal of impairment loss of available-for-sale debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2.10 Cash equivalents

For the purpose of the combined statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

2.11 Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to determine whether there is any indication that its property, plant and equipment and prepaid land lease payments and the Company's investments in subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as income in profit or loss immediately.

2.12 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Historical Financial Information is presented in the currency of HK\$, which is also the functional currency of the Company, and rounded to the nearest thousands unless otherwise indicated.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("**foreign operations**") are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented, are translated at the closing rate at the end of each reporting period;
- income and expenses for each statement of comprehensive income are translated at average exchange rate;
- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;
- on the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation and a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised; and
- on the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

2.13 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following basis:

Sale of good is recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title is passed.

2.14 Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

2.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases, as lessee

Assets held under finance leases are recognised as assets of the Group at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as finance lease obligation. Finance charges, which represent the difference between the total leasing commitments and the lease liability, are charged to profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Operating leases

Rentals payables/receivables under operating leases are charged/credited to profit or loss on a straight-line basis over the term of the relevant leases.

2.16 Employee benefits

Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

In accordance with the rules and regulations in the PRC, the employees of the Group's entities established in the PRC are required to participate in defined contribution retirement plans organised by local governments. Contributions to these plans are expensed in profit or loss as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits to its employees.

Long service payments

The Group's net obligation in respect of long service payments under the Hong Kong Employment Ordinance is the amounts of future benefit that employees have earned in return for their services in the current and prior periods. The obligation is calculated using the projected unit credit method and discounted to its present value and after deducting the fair value of any related assets, including those retirement scheme benefits.

2.17 Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on undistributed dividend, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.18 Related parties

A related party is a person or entity that is related to the Group.

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a holding company of the Group.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a holding company of the Group.

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 entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

2.19 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 Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual 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.

2.20 Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the Historical Financial Information. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

(a) *Key sources of estimation uncertainty*

(i) *Useful lives of property, plant and equipment*

The management determines the estimated useful lives of the Group's property, plant and equipment based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

(ii) *Impairment of property, plant and equipment and prepaid land lease payments*

The management determines whether the Group's property, plant and equipment and prepaid land lease payments are impaired when an indication of impairment exists. This requires an estimation of the recoverable amount of the property, plant and equipment and prepaid land lease payments, which is equal to the higher of fair value less costs of disposal and value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment and prepaid land lease payments and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

(iii) *Deferred tax assets*

The recognition of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss in the period in which such a reversal takes place.

(iv) Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of the collectability of the trade and other receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each debtors. If the financial conditions of these debtors were to deteriorate, resulting in an impairment of their ability to make payments, allowance will be required.

(v) Allowance for inventories

The management reviews the condition of inventories at the end of each reporting period and makes allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable. The management carries out the inventory review on a product-by-product basis and makes allowances by reference to the latest market prices and current market conditions.

(vi) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain where the final tax outcome of these matters may be different from the amounts that were initially recorded and such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

2.21 Future changes in HKFRSs

At the date of this report, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the Track Record Periods, which the Group has not early adopted.

Amendments to HKAS 40	Transfers of Investment Property ^[1]
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]
HKFRS 15	Revenue from Contracts with Customers ^[1]
HKFRS 9 (2014)	Financial Instruments ^[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ^[1]
Annual Improvement to HKFRSs	2014-2016 Cycle: HKFRS 1 and HKAS 28 ^[1]
HKFRS 16	Leases ^[2]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ^[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ^[3]

^[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] The effective date of the amendments which was originally intended to be effective for annual periods beginning on or after 1 January 2016 has been deferred/removed

Except as described below, the directors of the Company anticipate that the application of these new standards and amendments will have no material impact on the Group's financial statements in the future.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements under HKFRS 9 are as follows:

- 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 that give rise on specified dates to cash flows that solely payments of principal and interest on the principal amount of outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading or contingent consideration in a business combination) 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 directors of the Company anticipate that the application of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group’s financial assets in relation to the impairment assessment on receivables, with the potential early recognition of credit losses based on the expected loss model in relation to the Group’s financial assets measured at amortised costs. However, it is not practicable to provide a reasonable estimate of the effect until the directors of the Company have performed a detailed review. Except for above mentioned, the directors of the Company do not anticipate that the adoption of HKFRS 9 in the future will have any other significant impact on amounts reported in respect of the Group’s financial assets and financial liabilities based on an analysis of the Group’s financial instruments as at 31 August 2017.

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

Based on the current business model, the directors of the Company do not expect the adoption of HKFRS 15 would result in any significant impact on the amounts reported on the Group’s financial statements in the future. However, there will be additional qualitative and quantitative disclosures upon the adoption of HKFRS 15.

HKFRS 16 “Leases”

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 “Leases” and the related Interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by HKFRS 16.

At 31 August 2017, the Group has non-cancellable operating lease commitments of approximately HK\$13,244,000 as disclosed in Note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. 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 but it is expected that the commitments due after 31 December 2019 will be recognised in the Group’s consolidated statement of financial position at 31 December 2019 as right-of-use asset and lease liability.

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being identified as the chief operating decision makers (“**CODM**”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segments are as follows:

- (1) E-cigarettes products segment: manufacture and sales of e-cigarettes products.
- (2) Integrated plastic solutions segment: manufacture and sales of moulds and plastic products.

Segment revenue and results

The accounting policies of the operating segments are the same as the Group’s accounting policies described in Note 2.

Segment revenue represents revenue derived from manufacturing and sales of e-cigarettes products and integrated plastic solutions.

Segment results represent the gross profit less selling and distribution costs incurred by each segment without allocation of other income, administrative and other operating expenses, finance costs, listing expenses and income tax expenses. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

The followings are analysis of the Group's revenue and results by reportable and operating segments:

	E-cigarettes products	Integrated plastic solutions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Year ended 31 December 2014</u>			
Segment revenue	230,527	318,152	548,679
Gross profit	71,340	69,508	140,848
Selling and distribution costs	–	(10,435)	(10,435)
Segment results	71,340	59,073	130,413
<i>Unallocated income and expenses</i>			
Other income			3,939
Administrative and other operating expenses			(57,432)
Finance costs			(6,634)
Listing expenses			–
Profit before tax			70,286
Income tax expenses			(17,650)
Profit for the year			52,636
<u>Year ended 31 December 2015</u>			
Segment revenue	130,518	270,660	401,178
Gross profit	39,905	57,215	97,120
Selling and distribution costs	–	(8,522)	(8,522)
Segment results	39,905	48,693	88,598
<i>Unallocated income and expenses</i>			
Other income			3,658
Administrative and other operating expenses			(55,473)
Finance costs			(13,087)
Listing expenses			–
Profit before tax			23,696
Income tax expenses			(5,935)
Profit for the year			17,761

	E-cigarettes products	Integrated plastic solutions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Year ended 31 December 2016</u>			
Segment revenue	251,456	304,105	555,561
Gross profit	76,610	51,565	128,175
Selling and distribution costs	–	(11,570)	(11,570)
Segment results	76,610	39,995	116,605
<i>Unallocated income and expenses</i>			
Other income			8,296
Administrative and other operating expenses			(66,584)
Finance costs			(13,320)
Listing expenses			–
Profit before tax			44,997
Income tax expenses			(11,140)
Profit for the year			33,857
<u>Eight months ended 31 August 2016 (unaudited)</u>			
Segment revenue	154,140	199,181	353,321
Gross profit	46,916	32,772	79,688
Selling and distribution costs	–	(7,984)	(7,984)
Segment results	46,916	24,788	71,704
<i>Unallocated income and expenses</i>			
Other income			3,381
Administrative and other operating expenses			(44,758)
Finance costs			(9,166)
Listing expenses			–
Profit before tax			21,161
Income tax expenses			(5,086)
Profit for the period			16,075

	E-cigarettes products	Integrated plastic solutions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Eight months ended 31 August 2017</u>			
Segment revenue	160,743	203,711	364,454
Gross profit	48,625	33,940	82,565
Selling and distribution costs	–	(8,884)	(8,884)
Segment results	48,625	25,056	73,681
<i>Unallocated income and expenses</i>			
Other income			2,752
Administrative and other operating expenses			(42,932)
Finance costs			(9,790)
Listing expenses			(14,706)
Profit before tax			9,005
Income tax expenses			(5,995)
Profit for the period			3,010

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	E-cigarettes products	Integrated plastic solutions	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>At 31 December 2014</u>				
Assets				
Reportable segment assets	15,940	174,861	413,717	604,518
Liabilities				
Reportable segment liabilities	5,723	26,685	336,161	368,569
Other information				
Capital expenditure	1,466	5,887	192,147	199,500

	E-cigarettes products	Integrated plastic solutions	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>At 31 December 2015</u>				
Assets				
Reportable segment assets	22,266	238,942	394,032	655,240
Liabilities				
Reportable segment liabilities	14,231	26,961	371,880	413,072
Other information				
Capital expenditure	226	33,047	42,653	75,926
<u>At 31 December 2016</u>				
Assets				
Reportable segment assets	44,036	263,485	324,957	632,478
Liabilities				
Reportable segment liabilities	26,105	36,662	322,623	385,390
Other information				
Capital expenditure	626	13,382	15,174	29,182
<u>At 31 August 2017</u>				
Assets				
Reportable segment assets	41,773	258,255	361,478	661,506
Liabilities				
Reportable segment liabilities	26,602	43,858	330,907	401,367
Other information				
Capital expenditure	1,147	18,174	11,165	30,486

For the purposes of monitoring segment performance and allocating resources between segments:

- segment assets include certain property, plant and equipment, inventories and trade and bills receivables. Other assets are not allocated to operating segments as these assets are managed on a group basis; and
- segment liabilities include trade payables. Other liabilities are not allocated to operating segments as these liabilities are managed on a group basis.

Geographical information

The following table sets out information about the geographical location of the Group's prepaid land lease payments and property, plant and equipment ("specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the assets.

	At 31 December			At
				31 August
	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Specified non-current assets				
Hong Kong	3,320	2,840	1,405	750
The PRC	421,898	452,735	417,320	445,132
	<u>425,218</u>	<u>455,575</u>	<u>418,725</u>	<u>445,882</u>

Information about the Group's revenue from external customers is presented based on the location of customers.

	Year ended 31 December			Eight months ended	
				31 August	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Revenue from external customers					
The United States of America	232,656	133,274	209,353	145,192	122,150
The PRC	216,442	180,278	173,785	117,793	107,541
The United Kingdom	3,966	8,921	96,817	42,010	77,010
Hong Kong	87,405	68,813	65,836	41,494	53,381
Others	8,210	9,892	9,770	6,832	4,372
	<u>548,679</u>	<u>401,178</u>	<u>555,561</u>	<u>353,321</u>	<u>364,454</u>

Information about major customers

Details of the entities accounting for 10% or more of aggregate revenue of the Group during the Track Record Periods are as follows:

	E-cigarettes products	Integrated plastic solutions	Total
	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2014			
Customer A and its affiliated companies	230,527	932	231,459
Customer B and its affiliated companies	–	83,529	83,529
	<u>230,527</u>	<u>84,461</u>	<u>314,988</u>

	E-cigarettes products	Integrated plastic solutions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2015			
Customer A and its affiliated companies	130,518	112	130,630
Customer B and its affiliated companies	–	74,247	74,247
Customer C and its affiliated companies	–	51,271	51,271
	<u>130,518</u>	<u>125,630</u>	<u>256,148</u>
Year ended 31 December 2016			
Customer A and its affiliated companies	247,811	2,863	250,674
Customer B and its affiliated companies	–	82,250	82,250
Customer C and its affiliated companies	–	68,041	68,041
	<u>247,811</u>	<u>153,154</u>	<u>400,965</u>
Eight months ended 31 August 2016 <i>(unaudited)</i>			
Customer A and its affiliated companies	154,024	563	154,587
Customer B and its affiliated companies	–	58,020	58,020
Customer C and its affiliated companies	–	44,164	44,164
	<u>154,024</u>	<u>102,747</u>	<u>256,771</u>
Eight months ended 31 August 2017			
Customer A and its affiliated companies	160,188	970	161,158
Customer B and its affiliated companies	–	54,090	54,090
Customer C and its affiliated companies	–	51,336	51,336
	<u>160,188</u>	<u>106,396</u>	<u>266,584</u>

4. REVENUE

Revenue recognised represents sales of goods at invoiced value to customers net of returns and discounts.

5. OTHER INCOME

	Year ended 31 December			Eight months ended 31 August	
	2014	2015	2016	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Bank interest income	360	193	76	38	29
Exchange gain, net	1,500	2,374	2,756	902	–
Mould testing fee income	950	255	292	214	–
Management service income	302	180	180	120	120
Rental and utilities recharge income	–	623	1,595	1,130	1,091
Sales of scrap materials	714	6	2,690	360	1,104
Sundry income	113	27	707	617	408
	<u>3,939</u>	<u>3,658</u>	<u>8,296</u>	<u>3,381</u>	<u>2,752</u>

6. PROFIT BEFORE TAX

This is stated after charging (crediting):

	Year ended 31 December			Eight months ended 31 August	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Finance costs					
Interest on interest-bearing borrowings	6,189	7,379	7,368	5,071	6,750
Less: Borrowing costs capitalised into property, plant and equipment	(3,423)	(1,108)	–	–	–
	2,766	6,271	7,368	5,071	6,750
Interest on bank overdrafts	79	98	158	105	64
Interest on loans from the Ultimate Controlling Party	2,598	1,935	1,806	1,181	1,199
Interest on payables for construction in progress	804	4,426	3,241	2,296	1,143
Finance charges on obligations under finance leases	387	357	747	513	634
	6,634	13,087	13,320	9,166	9,790
Staff costs, including directors' emoluments					
Employee benefits expenses	98,794	85,680	105,088	70,998	74,206
Contributions to defined contribution retirement schemes	3,327	3,357	3,932	2,420	3,324
	102,121	89,037	109,020	73,418	77,530
Other items					
Cost of inventories	407,831	304,058	427,386	273,633	281,889
Amortisation of prepaid land lease payments	1,198	1,132	1,073	724	692
Auditor's remuneration	459	406	456	84	126
Depreciation (charged to "cost of goods sold" and "administrative and other operating expenses", as appropriate)	21,410	26,285	29,004	19,205	17,392
Exchange (gain) loss, net	(1,500)	(2,374)	(2,756)	(902)	756
Loss on disposal of property, plant and equipment	2,489	451	435	194	137
Operating lease payments (charged to "cost of goods sold" and "administrative and other operating expenses", as appropriate)	14,046	8,573	6,635	4,923	3,493
Direct relocation expenses	–	984	3,213	3,213	–
Research and development expenses	1,439	1,206	2,352	1,358	1,954
Bad debts expenses	211	–	2	–	–

7. DIRECTORS' REMUNERATION

The Company was incorporated in the Cayman Islands on 26 April 2017 and Mr. Chan Tsan Lam was appointed as an executive director of the Company on 26 April 2017. Mr. Cheng Chak and Ms. Chan Yin Yan were appointed as executive directors on 30 June 2017. Mr. Lo Ka Ki, Mr. Hung Chun Leung and Mr. Chan Bing Kai were appointed as independent non-executive directors on 7 February 2018.

Certain directors of the Company received remuneration from the entities now comprising the Group during the Track Record Periods for their appointment as employees of these entities. The aggregate amounts of remuneration received and receivable by the directors of the Company are set out below.

Year ended 31 December 2014

	Directors' fees	Salaries and allowances	Discretionary bonus	Contributions to defined contribution plans	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Executive directors</i>					
Chan Tsan Lam	–	1,441	–	17	1,458
Cheng Chak	–	1,441	–	17	1,458
Chan Yin Yan	–	593	–	17	610
	–	3,475	–	51	3,526

Year ended 31 December 2015

	Directors' fees	Salaries and allowances	Discretionary bonus	Contributions to defined contribution plans	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Executive directors</i>					
Chan Tsan Lam	–	893	–	18	911
Cheng Chak	–	1,433	–	18	1,451
Chan Yin Yan	–	690	–	18	708
	–	3,016	–	54	3,070

Year ended 31 December 2016

	Directors' fees	Salaries and allowances	Discretionary bonus	Contributions to defined contribution plans	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Executive directors</i>					
Chan Tsan Lam	–	695	–	18	713
Cheng Chak	–	1,415	–	18	1,433
Chan Yin Yan	–	700	–	18	718
	–	2,810	–	54	2,864

Eight months ended 31 August 2016 (unaudited)

	Directors' fees	Salaries and allowances	Discretionary bonus	Contributions to defined contribution plans	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Executive directors</i>					
Chan Tsan Lam	–	466	–	12	478
Cheng Chak	–	946	–	12	958
Chan Yin Yan	–	469	–	12	481
	–	1,881	–	36	1,917

Eight months ended 31 August 2017

	Directors' fees	Salaries and allowances	Discretionary bonus	Contributions to defined contribution plans	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Executive directors</i>					
Chan Tsan Lam	–	742	–	12	754
Cheng Chak	–	936	–	–	936
Chan Yin Yan	–	448	–	12	460
	–	2,126	–	24	2,150

During the Track Record Periods, no emoluments were paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Periods.

8. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the Track Record Periods is as follows:

	Number of individuals				
	Year ended 31 December			Eight months ended 31 August	
	2014	2015	2016	2016	2017
				<i>(unaudited)</i>	
Director	2	3	3	3	2
Non-director	3	2	2	2	3
	5	5	5	5	5

Details of the remuneration of the above highest paid non-director individuals are as follows:

	Year ended 31 December			Eight months ended 31 August	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Salaries and allowances	2,578	1,842	1,829	1,224	1,685
Contributions to defined contribution plans	76	69	73	48	51
	<u>2,654</u>	<u>1,911</u>	<u>1,902</u>	<u>1,272</u>	<u>1,736</u>

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2014	2015	2016	2016	2017
	(unaudited)				
Nil to HK\$1,000,000	<u>3</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>

During the Track Record Periods, no remuneration were paid by the Group to any of these highest paid non-director individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which any of these highest paid non-director individuals waived or has agreed to waive any emoluments during the Track Record Periods.

9. TAXATION

	Year ended 31 December			Eight months ended 31 August	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Current tax					
Hong Kong Profits Tax	110	1,804	2,812	1,750	996
PRC Enterprise Income Tax	6,864	5,099	8,322	3,637	2,264
	<u>6,974</u>	<u>6,903</u>	<u>11,134</u>	<u>5,387</u>	<u>3,260</u>
Deferred tax					
Changes in temporary differences	9,604	3,515	97	(149)	(1,121)
Utilisation (Benefit) of tax losses recognised	1,072	(4,483)	(91)	(152)	3,856
	<u>10,676</u>	<u>(968)</u>	<u>6</u>	<u>(301)</u>	<u>2,735</u>
Total income tax expenses for the year/period	<u>17,650</u>	<u>5,935</u>	<u>11,140</u>	<u>5,086</u>	<u>5,995</u>

The Group's entities established in the Cayman Islands and the BVI are exempted from income tax, respectively.

Hong Kong Profits Tax has been provided at the rate of 16.5% on the Group's estimated assessable profits arising from Hong Kong during the Track Record Periods.

The Group's entities established in the PRC are subject to Enterprise Income Tax of the PRC at a statutory rate of 25% during the Track Record Periods.

Reconciliation of income tax expenses

	Year ended 31 December			Eight months ended 31 August	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Profit before tax	70,286	23,696	44,997	21,161	9,005
Income tax at applicable tax rate	16,794	5,156	10,081	4,629	3,163
Non-deductible expenses	768	837	593	362	2,794
Tax exempt revenue	–	(1)	(1)	(1)	(1)
Others, including unrecognised temporary differences	88	(57)	467	96	39
Income tax expenses for the year/period	17,650	5,935	11,140	5,086	5,995

The applicable tax rate is the weighted average of tax rates prevailing in the territories in which the Group's entities operate.

10. DIVIDENDS

No dividends were declared nor paid to the equity holders of the entities now comprising the Group during the Track Record Periods.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Year ended 31 December			Eight months ended 31 August	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
<i>Profit:</i>					
Profit for the purpose of calculating basic earnings per share	52,636	17,761	33,857	16,075	3,010
	'000	'000	'000	'000	'000
<i>Number of shares:</i>					
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	465,000	465,000	465,000	465,000	465,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been retrospectively adjusted for the issue of shares of the Company for the purpose of the Reorganisation and assuming that the Capitalisation Issue (defined in Note 34) had been effective on 1 January 2014.

There was no diluted earnings per share as there were no potential ordinary shares in issue during the Track Record Periods.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Furniture and fixtures	Machinery and equipment	Motor vehicles	Computer	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reconciliation of carrying amount – year ended 31 December 2014								
At the beginning of the reporting period	–	6,840	947	93,493	996	3,510	92,342	198,128
Additions	–	51	528	6,774	3,107	83	188,957	199,500
Disposals	–	(42)	–	(4,110)	(13)	(51)	–	(4,216)
Depreciation	–	(1,746)	(349)	(17,152)	(1,433)	(730)	–	(21,410)
Exchange realignments	–	(57)	(5)	(814)	(1)	(18)	(349)	(1,244)
At 31 December 2014	–	5,046	1,121	78,191	2,656	2,794	280,950	370,758

	Buildings	Leasehold improvements	Furniture and fixtures	Machinery and equipment	Motor vehicles	Computer	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reconciliation of carrying amount – year ended 31 December 2015								
At the beginning of the reporting period	–	5,046	1,121	78,191	2,656	2,794	280,950	370,758
Additions	–	1,689	2,581	29,003	885	1,309	40,459	75,926
Disposals	–	(68)	(72)	(384)	–	(1)	–	(525)
Transfers	221,240	55,659	–	–	–	–	(276,899)	–
Depreciation	(2,668)	(3,218)	(603)	(17,886)	(1,290)	(620)	–	(26,285)
Exchange realignments	(3,387)	(1,036)	(97)	(3,244)	(14)	(84)	(7,639)	(15,501)
At 31 December 2015	<u>215,185</u>	<u>58,072</u>	<u>2,930</u>	<u>85,680</u>	<u>2,237</u>	<u>3,398</u>	<u>36,871</u>	<u>404,373</u>
Reconciliation of carrying amount – year ended 31 December 2016								
At the beginning of the reporting period	215,185	58,072	2,930	85,680	2,237	3,398	36,871	404,373
Additions	–	3,960	4,290	5,758	–	2,229	12,945	29,182
Disposals	–	(6)	(1)	(427)	–	(1)	–	(435)
Transfers	–	26,455	–	10,180	–	–	(36,635)	–
Depreciation	(4,252)	(4,867)	(982)	(16,515)	(1,320)	(1,068)	–	(29,004)
Exchange realignments	(16,628)	(5,628)	(415)	(7,053)	(13)	(264)	(1,565)	(31,566)
At 31 December 2016	<u>194,305</u>	<u>77,986</u>	<u>5,822</u>	<u>77,623</u>	<u>904</u>	<u>4,294</u>	<u>11,616</u>	<u>372,550</u>
Reconciliation of carrying amount – eight months ended 31 August 2017								
At the beginning of the reporting period	194,305	77,986	5,822	77,623	904	4,294	11,616	372,550
Additions	–	10,286	4,294	4,741	–	1,164	10,001	30,486
Disposals	–	(4)	(1)	(51)	–	(81)	–	(137)
Transfers	–	3,523	–	–	–	–	(3,523)	–
Depreciation	(2,742)	(3,842)	(956)	(8,606)	(555)	(691)	–	(17,392)
Exchange realignments	6,570	2,897	297	2,879	1	141	547	13,332
At 31 August 2017	<u>198,133</u>	<u>90,846</u>	<u>9,456</u>	<u>76,586</u>	<u>350</u>	<u>4,827</u>	<u>18,641</u>	<u>398,839</u>
At 31 December 2014								
Cost	–	10,242	3,064	182,700	6,599	4,281	280,950	487,836
Accumulated depreciation	–	(5,196)	(1,943)	(104,509)	(3,943)	(1,487)	–	(117,078)
	<u>–</u>	<u>5,046</u>	<u>1,121</u>	<u>78,191</u>	<u>2,656</u>	<u>2,794</u>	<u>280,950</u>	<u>370,758</u>

	Buildings	Leasehold improvements	Furniture and fixtures	Machinery and equipment	Motor vehicles	Computer	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2015								
Cost	217,812	65,455	5,204	203,002	6,959	5,465	36,871	540,768
Accumulated depreciation	(2,627)	(7,383)	(2,274)	(117,322)	(4,722)	(2,067)	–	(136,395)
	<u>215,185</u>	<u>58,072</u>	<u>2,930</u>	<u>85,680</u>	<u>2,237</u>	<u>3,398</u>	<u>36,871</u>	<u>404,373</u>
At 31 December 2016								
Cost	200,797	87,953	8,694	206,257	6,861	6,955	11,616	529,133
Accumulated depreciation	(6,492)	(9,967)	(2,872)	(128,634)	(5,957)	(2,661)	–	(156,583)
	<u>194,305</u>	<u>77,986</u>	<u>5,822</u>	<u>77,623</u>	<u>904</u>	<u>4,294</u>	<u>11,616</u>	<u>372,550</u>
At 31 August 2017								
Cost	207,653	104,153	13,322	214,606	6,901	8,223	18,641	573,499
Accumulated depreciation	(9,520)	(13,307)	(3,866)	(138,020)	(6,551)	(3,396)	–	(174,660)
	<u>198,133</u>	<u>90,846</u>	<u>9,456</u>	<u>76,586</u>	<u>350</u>	<u>4,827</u>	<u>18,641</u>	<u>398,839</u>

The carrying amounts of the Group's motor vehicles and machinery and equipment held under finance leases amounted to approximately HK\$6,235,000, HK\$24,553,000, HK\$31,373,000 and HK\$33,802,000 at 31 December 2014, 2015, 2016 and 31 August 2017, respectively.

13. PREPAID LAND LEASE PAYMENTS

Prepaid land lease payments represent costs paid for leasehold lands in the PRC that are classified as operating leases with initial lease terms of 50 years and the remaining lease terms ranged from 44 years to 46 years as at 31 August 2017. The costs are amortised over the leasehold periods.

	At 31 December			At 31 August
	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net carrying amount				
At the beginning of the reporting period		56,098	54,460	51,202
Amortisation		(1,198)	(1,132)	(1,073)
Exchange realignments		(440)	(2,126)	(3,954)
		<u>54,460</u>	<u>51,202</u>	<u>46,175</u>
At the end of the reporting period		54,460	51,202	46,175
Current portion		(1,200)	(1,153)	(1,063)
		<u>53,260</u>	<u>50,049</u>	<u>45,112</u>
Non-current portion				
		<u>53,260</u>	<u>50,049</u>	<u>45,112</u>

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	At 31 December			At
	2014	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
At fair value				
Unlisted investments – key management insurance contracts	1,844	6,595	7,514	10,435

The fair value of the key management insurance contracts is determined by reference to the respective surrender cash value of each insurance contract at the end of each reporting period, which is primarily based on the performance of the underlying investment portfolio together with the guaranteed minimum returns, ranging from 2% to 4.8% per annum.

The movement of the key management insurance contracts is analysed as follows:

	At 31 December			At
	2014	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
At the beginning of the reporting period	1,120	1,844	6,595	7,514
Additions	710	4,382	709	2,723
Fair value changes recognised in other comprehensive income	14	369	210	198
At the end of the reporting period	1,844	6,595	7,514	10,435

The key management insurance contracts are pledged as collateral for the Group's bank overdraft and interest-bearing borrowings amounting to approximately, in aggregate, HK\$nil, HK\$29,152,000, HK\$28,398,000 and HK\$18,715,000 at 31 December 2014, 2015, 2016 and 31 August 2017, respectively.

15. INVENTORIES

	At 31 December			At
	2014	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Raw materials	12,474	24,982	32,044	24,804
Work-in-progress	1,733	4,265	8,971	11,735
Finished goods	12,628	15,212	24,683	15,188
	26,835	44,459	65,698	51,727

16. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	At 31 December			At
		2014	2015	2016	31 August
		HK\$'000	HK\$'000	HK\$'000	2017
					HK\$'000
Trade receivables					
From related companies	16(a)	3,736	3,117	2,154	–
From former related companies	16(a)	–	–	–	655
From third parties	16(b)	72,480	65,979	71,603	65,325
	16(c)	76,216	69,096	73,757	65,980
Bills receivables					
	16(d)	3,393	971	6,636	5,434
Other receivables					
Deposits		157	750	188	152
Prepayment for suppliers		766	1,566	1,470	1,788
Prepayment for insurance		932	2,164	1,992	2,600
Prepayment for utilities		–	3,308	1,955	3,738
Prepaid expenses, other deposits and other debtors		2,000	9,889	9,516	13,949
Due from the Ultimate Controlling Party	16(e)	12,981	6,043	5,205	7,438
Due from a director	16(f)	14,019	14,884	11,858	12,170
Due from related companies	16(g)	181	1,895	1,592	1,783
Due from former related companies	16(g)	–	–	–	703
		31,036	40,499	33,776	44,321
		110,645	110,566	114,169	115,735

16(a) Trade receivables from related companies/former related companies

The trade receivables due from related companies/former related companies (representing Fast Precision Mould Limited and Fast Precision Mould (Huizhou) Limited which ceased to be related companies of the Group on 29 March 2017) ultimately controlled by the Ultimate Controlling Party are unsecured, interest-free and have a credit period of 30 to 60 days.

	Year ended 31 December 2014		
	Maximum amount outstanding during the year	Balance at 31.12.2014	Balance at 1.1.2014
	HK\$'000	HK\$'000	HK\$'000
CDN International Group Limited ("CDN Group Holding")	4,523	3,715	4,126
深圳市扒令貿易有限公司 (Shenzhen CDN Trading Limited*) ("Shenzhen CDN Trading")	112	21	112
		3,736	4,238
	Year ended 31 December 2015		
	Maximum amount outstanding during the year	Balance at 31.12.2015	Balance at 1.1.2015
	HK\$'000	HK\$'000	HK\$'000
CDN Group Holding	4,217	2,266	3,715
Shenzhen CDN Trading 神速精密模具(惠州)有限公司 (Fast Precision Mould (Huizhou) Limited*) ("Fast Precision Huizhou")	46	–	21
	2,125	851	–
		3,117	3,736
	Year ended 31 December 2016		
	Maximum amount outstanding during the year	Balance at 31.12.2016	Balance at 1.1.2016
	HK\$'000	HK\$'000	HK\$'000
CDN Group Holding	2,322	590	2,266
Fast Precision Huizhou	1,597	1,564	851
		2,154	3,117

	Eight months ended 31 August 2017		
	Maximum amount outstanding during the period	Balance at 31.8.2017	Balance at 1.1.2017
	HK\$'000	HK\$'000	HK\$'000
CDN Group Holding	590	–	590
Fast Precision Huizhou [#]	1,564	472	1,564
Fast Precision Mould Limited (“Fast Precision”) [#]	244	183	–
		655	1,564
			2,154

* English translation for identification purpose only.

[#] The balances as at 31 August 2017 represent trade receivables due from former related companies.

16(b) Trade receivables from third parties

The Group grants credit period up to 180 days to its customers upon the delivery of goods and issuance of invoices.

16(c) The ageing of trade receivables based on invoice date at the end of each reporting period is as follows:

	At 31 December			At
	2014	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Within 30 days	31,141	35,721	39,425	38,866
31 to 60 days	18,960	17,138	24,219	19,868
61 to 90 days	13,607	7,034	4,685	4,530
91 to 180 days	8,332	6,771	4,541	1,208
Over 180 days	4,176	2,432	887	1,508
	76,216	69,096	73,757	65,980

At the end of each reporting period, the ageing analysis of the trade receivables by due date is as follows:

	At 31 December			At
	2014	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Not yet due	54,057	47,417	41,583	52,912
Past due:				
Within 30 days	13,988	7,996	20,877	8,774
31 to 60 days	1,959	10,099	6,244	1,609
61 to 90 days	2,079	318	1,252	1,070
91 to 180 days	527	870	3,135	945
Over 180 days	3,606	2,396	666	670
	22,159	21,679	32,174	13,068
	76,216	69,096	73,757	65,980

The Group does not hold any collateral over the trade receivables. The Group's trade receivables which are past due at the end of each reporting period but which the Group has not impaired as there has not been any significant changes in credit quality of customers and the management believes that the amounts are fully recoverable.

Amount of approximately HK\$27,350,000, HK\$17,036,000, HK\$6,202,000 and HK\$5,602,000 included in the trade receivables were in connection with factoring arrangements at 31 December 2014, 2015, 2016 and 31 August 2017, respectively.

16(d) Bills receivables

The bills receivables are interest-free, guaranteed by banks in the PRC and have maturities of less than six months.

16(e) Due from the Ultimate Controlling Party

The amount due is non-trade in nature, unsecured, interest-free and repayable on demand. No provision has been made for non-repayment of the amount due during the Track Record Periods.

Details of the amount due from the Ultimate Controlling Party, who is also a director of the Group, are as follows:

		Year ended 31 December 2014		
		Maximum amount outstanding during the year	Balance at 31.12.2014	Balance at 1.1.2014
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Chan Tsan Lam		12,981	12,981	654
		12,981	12,981	654
		Year ended 31 December 2015		
		Maximum amount outstanding during the year	Balance at 31.12.2015	Balance at 1.1.2015
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Chan Tsan Lam		12,981	6,043	12,981
		12,981	6,043	12,981
		Year ended 31 December 2016		
		Maximum amount outstanding during the year	Balance at 31.12.2016	Balance at 1.1.2016
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Chan Tsan Lam		6,043	5,205	6,043
		6,043	5,205	6,043
		Eight months ended 31 August 2017		
		Maximum amount outstanding during the period	Balance at 31.8.2017	Balance at 1.1.2017
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Chan Tsan Lam		8,599	7,438	5,205
		8,599	7,438	5,205

16(f) Due from a director

The amount due is non-trade in nature, unsecured, interest-free and repayable on demand. No provision has been made for non-repayment of the amount due during the Track Record Periods.

Details of the amount due from a director are as follows:

	Year ended 31 December 2014		
	Maximum amount outstanding during the year	Balance at 31.12.2014	Balance at 1.1.2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cheng Chak	14,019	14,019	11,661
	14,019	14,019	11,661
	Year ended 31 December 2015		
	Maximum amount outstanding during the year	Balance at 31.12.2015	Balance at 1.1.2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cheng Chak	15,666	14,884	14,019
	15,666	14,884	14,019
	Year ended 31 December 2016		
	Maximum amount outstanding during the year	Balance at 31.12.2016	Balance at 1.1.2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cheng Chak	15,907	11,858	14,884
	15,907	11,858	14,884
	Eight months ended 31 August 2017		
	Maximum amount outstanding during the period	Balance at 31.8.2017	Balance at 1.1.2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cheng Chak	12,328	12,170	11,858
	12,328	12,170	11,858

16(g) Due from related companies/former related companies

The amounts due are non-trade in nature, unsecured, interest-free and repayable on demand. No provision has been made for non-repayment of the amounts due during the Track Record Periods.

Details of the amounts due from related companies/former related companies ultimately controlled by the Ultimate Controlling Party are as follows:

	Year ended 31 December 2014		
	Maximum amount outstanding during the year	Balance at 31.12.2014	Balance at 1.1.2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fast Precision	181	181	–
	181	181	–
	Year ended 31 December 2015		
	Maximum amount outstanding during the year	Balance at 31.12.2015	Balance at 1.1.2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CDN Group Holding	21	19	–
CDN Holdings Limited (“ CDN Holdings ”)	90	90	–
Tian Chang Tech (HK) Limited (“ Tian Chang Tech ”)	1,000	1,000	–
Fast Precision Huizhou 摩力光電科技(惠州)有限公司 (Moli Optoelectronics Huizhou Limited*) (“ Moli Optoelectronics ”)	533	533	–
Prime Source Electronics Tech Limited (“ Prime Source ”)	40	40	–
Fast Precision	3	3	–
	210	210	181
		1,895	181

* English translation for identification purpose only.

Year ended 31 December 2016			
	Maximum amount outstanding during the year	Balance at 31.12.2016	Balance at 1.1.2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CDN Group Holding	19	–	19
CDN Holdings	810	810	90
Tian Chang Tech	1,000	400	1,000
Fast Precision Huizhou	533	169	533
Moli Optoelectronics	94	94	40
Lanton Technology Electronics Co., Limited ("Lanton Technology")	11	11	–
Prime Source	3	3	3
Fast Precision	210	105	210
		<u>1,592</u>	<u>1,895</u>
			<u>1,895</u>
Eight months ended 31 August 2017			
	Maximum amount outstanding during the period	Balance at 31.8.2017	Balance at 1.1.2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CDN Holdings	1,380	1,380	810
Tian Chang Tech	403	403	400
Moli Optoelectronics	94	–	94
Lanton Technology	11	–	11
Prime Source	3	–	3
		<u>1,783</u>	<u>1,318</u>
			<u>1,318</u>
Fast Precision Huizhou [#]	1,068	658	169
Fast Precision [#]	165	45	105
		<u>703</u>	<u>274</u>
			<u>1,592</u>

[#] The balances as at 31 August 2017 represent amounts due from former related companies.

17. OTHER INVESTMENTS

	At 31 December			At
	2014	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
At fair value				
Unlisted investments:				
Principal guaranteed	12,700	–	–	–
Non-principal guaranteed	2,540	3,660	–	–
	15,240	3,660	–	–

The other investments, classified as available-for-sale financial assets, represent unlisted investments (the “Investments”) placed with banks in the PRC. The Investments are unlisted investment funds which mainly invested in listed/unlisted treasury bonds, bank debentures, central bank bills, enterprise/corporate bonds and other investments in the PRC with high credit rating. The Investments can be redeemed from time to time and bear interest at floating rate with expected return of 2.45% per annum.

18. TRADE AND OTHER PAYABLES

	Note	At 31 December			At
		2014	2015	2016	31 August
		HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000	
Trade payables					
To a related company		–	461	494	–
To a former related company		–	–	–	161
To third parties		32,408	40,731	62,273	70,299
	18(a)	32,408	41,192	62,767	70,460
Other payables					
Receipt in advance		2,070	5,692	1,351	1,417
Salaries payable		8,263	6,720	9,665	8,061
Other accruals and other creditors		18,298	20,308	16,542	16,137
Due to related companies	18(b)	5,744	10,980	–	–
		34,375	43,700	27,558	25,615
		66,783	84,892	90,325	96,075

18(a) Trade payables

The trade payable due to a related company/a former related company ultimately controlled by the Ultimate Controlling Party is unsecured, interest-free and repayable on demand.

At the end of each reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	At 31 December			At 31 August
	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 30 days	12,054	19,985	30,645	27,648
31 to 60 days	12,022	12,418	21,325	16,802
61 to 90 days	3,798	5,398	3,333	13,024
Over 90 days	4,534	3,391	7,464	12,986
	<u>32,408</u>	<u>41,192</u>	<u>62,767</u>	<u>70,460</u>

The credit period on trade payables is up to 90 days.

18(b) Due to related companies

The amounts due are unsecured, interest-free and repayable on demand. The related companies are ultimately controlled by the Ultimate Controlling Party and/or his close family member.

19. BANK OVERDRAFTS

	At 31 December			At 31 August
	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank overdrafts, secured	<u>3,705</u>	<u>2,116</u>	<u>5,826</u>	<u>1,365</u>

The secured bank overdrafts are interest-bearing at prime rate or 1% per annum over the prime rate.

The bank overdrafts are secured by:

- (i) property jointly owned by the Ultimate Controlling Party and his close family member;
- (ii) property owned by a close family member of the Ultimate Controlling Party;
- (iii) property jointly owned by a director and his close family member;
- (iv) key management insurance contracts with fair value of approximately HK\$6,595,000 and HK\$7,514,000 at 31 December 2015 and 2016, respectively, as set out in Note 14; and
- (v) guarantees provided by a director, the Ultimate Controlling Party and a related company/a former related company ultimately controlled by the Ultimate Controlling Party.

The collaterals and guarantees provided by the Ultimate Controlling Party and/or his close family members, other directors and a former related company are expected to be released and replaced by a corporate guarantee to be given by the Company upon the Initial Listing and the banks have provided their consent in this regard.

20. PAYABLES FOR CONSTRUCTION IN PROGRESS

	At 31 December			At
	2014	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Current portion	47,870	55,743	26,012	30,308
Non-current portion	68,288	35,003	17,414	5,013
	<u>116,158</u>	<u>90,746</u>	<u>43,426</u>	<u>35,321</u>

Payables for construction in progress represent the amounts payable to the constructors in respect of the construction of the production plants located in the PRC which the payment terms are unsecured, interest-free and repayable from one to three years since its inception. The amounts represent the present value of the invoiced amounts at effective interest rate of 6.15% at the end of each reporting period.

21. INTEREST-BEARING BORROWINGS

	At 31 December			At
	2014	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Secured bank borrowings:				
Current portion	73,184	125,056	140,834	184,038
Non-current portion	57,150	42,700	33,741	19,773
	<u>130,334</u>	<u>167,756</u>	<u>174,575</u>	<u>203,811</u>

The secured bank borrowings are wholly repayable within five years since its inception. At 31 December 2014, 2015, 2016 and 31 August 2017, the secured bank borrowings carried weighted average effective interest rate of approximately 5.51%, 4.86%, 4.7% and 4.49% per annum, respectively.

The bank borrowings are secured by:

- (i) buildings and the prepaid land lease payments with aggregate net carrying amount of approximately HK\$31,716,000, HK\$29,812,000, HK\$240,480,000 and HK\$245,176,000 at 31 December 2014, 2015, 2016 and 31 August 2017, respectively, as set out in Note 12 and Note 13;
- (ii) key management insurance contracts with fair value of approximately HK\$1,844,000, HK\$6,595,000, HK\$7,514,000 and HK\$10,435,000 at 31 December 2014, 2015, 2016 and 31 August 2017, respectively, as set out in Note 14;
- (iii) property jointly owned by the Ultimate Controlling Party and his close family member;
- (iv) property owned by a close family member of the Ultimate Controlling Party;
- (v) property jointly owned by a director and his close family member;
- (vi) office premise owned by a related company ultimately controlled by the Ultimate Controlling Party;
- (vii) guarantees provided by the Ultimate Controlling Party, a director and related companies/a related company and a former related company ultimately controlled by the Ultimate Controlling Party;
- (viii) guarantees provided by a third party for the year ended 31 December 2014;

- (ix) guarantees provided by the Hong Kong Mortgage Corporation Limited;
- (x) trade receivables in connection with factoring arrangement of approximately HK\$27,350,000, HK\$17,036,000, HK\$6,202,000, HK\$5,602,000 at 31 December 2014, 2015, 2016 and 31 August 2017, respectively, as set out in Note 16(c); and/or
- (xi) certain machinery and equipment with aggregate net carrying amount of approximately HK\$12,298,000, HK\$6,378,000, HK\$3,310,000 and HK\$2,430,000 at 31 December 2014, 2015, 2016 and 31 August 2017, respectively.

The collaterals and guarantees provided by the Ultimate Controlling Party and/or his close family members, other director, related companies and a former related company are expected to be released and replaced by a corporate guarantee to be given by the Company upon the Initial Listing and the banks have provided their consent in this regard.

22. OBLIGATIONS UNDER FINANCE LEASES

At the end of each reporting period, the Group leased certain motor vehicles and machinery and equipment under finance leases. The lease term is ranging from 30 to 48 months. At 31 December 2014, 2015, 2016 and 31 August 2017, the weighted average effective interest rate of the obligations under finance leases of the Group was 2.95%, 3.23%, 3.29% and 3.29%, respectively.

	Minimum lease payments				Present value of minimum lease payments			
	At 31 December		At 31 August		At 31 December		At 31 August	
	2014	2015	2016	2017	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable:								
Within one year	2,759	7,944	10,935	12,011	2,575	7,344	10,233	11,358
In the second to fifth years inclusive	3,856	14,782	17,296	13,510	3,822	14,229	16,816	13,176
	6,615	22,726	28,231	25,521	6,397	21,573	27,049	24,534
Future finance charges	(218)	(1,153)	(1,182)	(987)				
Present value of lease obligations	<u>6,397</u>	<u>21,573</u>	<u>27,049</u>	<u>24,534</u>				
Less: Amounts due for settlement within 12 months					(2,575)	(7,344)	(10,233)	(11,358)
Amounts due for settlement after 12 months					<u>3,822</u>	<u>14,229</u>	<u>16,816</u>	<u>13,176</u>

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

23. LOANS FROM THE ULTIMATE CONTROLLING PARTY

Loans from the Ultimate Controlling Party at 31 December 2014, 2015, 2016 and 31 August 2017 are unsecured, interest bearing with fixed rate ranging from 6.0% to 7.2% per annum and repayable after one year but within five years.

24. DEFERRED TAXATION

	At 31 December			At
	2014	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Deferred tax assets	2,832	8,036	7,453	2,965
Deferred tax liabilities	(9,721)	(13,690)	(12,529)	(11,108)
Net deferred tax position	<u>(6,889)</u>	<u>(5,654)</u>	<u>(5,076)</u>	<u>(8,143)</u>

The movements during the Track Record Periods in the Group's net position of deferred tax are as follows:

	Tax losses	Other temporary differences	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	3,756	50	3,806
Income tax expenses	(1,072)	(9,604)	(10,676)
Exchange difference	102	(121)	(19)
At 31 December 2014	<u>2,786</u>	<u>(9,675)</u>	<u>(6,889)</u>
At 1 January 2015	2,786	(9,675)	(6,889)
Income tax credit (expenses)	4,483	(3,515)	968
Exchange difference	(177)	444	267
At 31 December 2015	<u>7,092</u>	<u>(12,746)</u>	<u>(5,654)</u>
At 1 January 2016	7,092	(12,746)	(5,654)
Income tax credit (expenses)	91	(97)	(6)
Exchange difference	(558)	1,142	584
At 31 December 2016	<u>6,625</u>	<u>(11,701)</u>	<u>(5,076)</u>
At 1 January 2017	6,625	(11,701)	(5,076)
Income tax (expenses) credit	(3,856)	1,121	(2,735)
Exchange difference	136	(468)	(332)
At 31 August 2017	<u>2,905</u>	<u>(11,048)</u>	<u>(8,143)</u>

The tax losses reflected in above deferred tax assets arising at the end of each reporting period which can be offset against future taxable profits of the respective subsidiaries, subsequent to the commencement of production by the Group's production plant in Huizhou, Guangdong province, the PRC, will expire as follows:

	At 31 December			At
	2014	2015	2016	31 August
	2017			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year of expiry				
2018	6,982	6,707	2,495	1,091
2019	3,907	3,754	2,266	1,368
2020	–	17,907	16,508	2,332
2021	–	–	5,231	5,410
2022	–	–	–	1,420
	10,889	28,368	26,500	11,621
No expiry	388	–	–	–
	<u>11,277</u>	<u>28,368</u>	<u>26,500</u>	<u>11,621</u>

At the end of each reporting period, no deferred tax has been recognised for withholding taxes that would be payables on the unremitted earnings of the Group's subsidiaries established in the PRC. In the opinion of the management, it is probable that the earnings will not be distributed in the foreseeable future. The estimated withholding tax effects on the distribution of accumulated profits were approximately HK\$2,093,000, HK\$2,872,000, HK\$4,011,000 and HK\$4,609,000 at 31 December 2014, 2015 and 2016 and 31 August 2017, respectively.

25. SHARE CAPITAL AND THE FINANCIAL INFORMATION OF THE COMPANY

25(a) Share capital

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 26 April 2017. Upon its incorporation, the authorised share capital of HK\$390,000 was divided into 3,900,000 ordinary shares at HK\$0.1 each and 3,000 ordinary shares of HK\$0.1 each were issued to and paid up by the Ultimate Controlling Party.

On 20 April 2017, one share at par value of US\$1, representing 100% of the issued share of Sun Leader BVI was allotted and issued to the Ultimate Controlling Party and consequently Sun Leader BVI was wholly-owned by the Ultimate Controlling Party. On the same day, one share at par value of US\$1, representing 100% of the issued share of Tian Chang BVI was allotted and issued to the Ultimate Controlling Party and consequently Tian Chang BVI was wholly-owned by the Ultimate Controlling Party.

On 12 June 2017, the Ultimate Controlling Party transferred his share in Sun Leader BVI and Tian Chang BVI at par value, respectively to the Company. Upon completion of the share transfer, Sun Leader BVI and Tian Chang BVI became direct wholly-owned subsidiaries of the Company.

Pursuant to the Reorganisation completed on 12 June 2017, the Company became the holding company of the entities now comprising the Group. Further details of the changes in authorised and issued share capital of the Company since its incorporation are set out in the section headed "History, Reorganisation and Corporate Structure" of the Prospectus.

25(b) Investments in subsidiaries

Investments in subsidiaries represent 100% of issued capital of Tian Chang BVI and Sun Leader BVI.

25(c) There was no movement in reserves of the Company from 26 April 2017 (date of incorporation) to 31 August 2017. The corporate administrative costs of the Company and the expenses for the Initial Listing were borne by the subsidiaries of the Company without recharge.

26. RESERVES**26(a) Capital reserve**

The capital reserve represents the waiver of the amount due from the Company granted by the Ultimate Controlling Party in prior years and the aggregate amount of the nominal value of the issued/registered capital of the entities now comprising the Group less consideration paid to acquire the relevant interests (if any).

26(b) Statutory reserve

As stipulated by the relevant laws and regulations for enterprises incorporated/established in the PRC, the Group's subsidiaries in the PRC are required to maintain certain statutory reserves. The statutory reserve can be used to make up for losses, expand the existing operation and convert to additional capital.

26(c) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of foreign operations for combinations.

26(d) Revaluation reserve

The revaluation reserve represents the cumulative net changes in the fair value of the unlisted investments in key management insurance contracts and other investments classified as available-for-sale financial assets held at the end of each reporting period.

27. CASH GENERATED FROM OPERATIONS

	Year ended 31 December			Eight months ended 31 August	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(unaudited)</i>	
Profit before tax	70,286	23,696	44,997	21,161	9,005
Amortisation of prepaid land lease payments	1,198	1,132	1,073	724	692
Bad debts expenses	211	–	2	–	–
Depreciation	21,410	26,285	29,004	19,205	17,392
Interest income	(360)	(193)	(76)	(38)	(29)
Finance costs	6,634	13,087	13,320	9,166	9,790
Loss on disposal of property, plant and equipment	2,489	451	435	194	137
Exchange differences	(1,081)	(2,653)	(8,250)	(4,069)	1,085
Changes in working capital:					
Inventories	6,833	(18,680)	(24,712)	(21,412)	12,775
Trade and other receivables	373	(1,177)	(9,322)	13,658	478
Trade and other payables	(29,387)	21,087	13,922	35,925	2,068
Cash generated from operations	<u>78,606</u>	<u>63,035</u>	<u>60,393</u>	<u>74,514</u>	<u>53,393</u>

28. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Historical Financial Information, during the Track Record Periods, further information of the related party transactions is set out below.

- (a) Transactions between the group entities have been eliminated on combination and are not disclosed. During the Track Record Periods, the Group had the following significant transactions with related parties (Fast Precision and Fast Precision Huizhou ceased to be related companies of the Group on 29 March 2017). In the opinion of the management, they are under normal commercial terms that are fair and reasonable and in the best interests of the Group.

Related party relationship	Nature of transaction	Year ended 31 December			Eight months ended 31 August	
		2014	2015	2016	2016	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(unaudited)
Related companies controlled by the Ultimate Controlling Party	Sale of goods (i)	709	1,274	1,018	795	249
	Sub-contracting costs (ii)	–	7,262	13,915	13,057	1,079
	Inspection fee expenses (iii)	1,951	–	–	–	–
	Mould testing fee income (iv)	438	142	–	–	–
	Rental expenses (v)	540	540	540	360	360
	Rental and utilities recharge income (vi)	–	623	1,595	1,130	360
	Management service income (vii)	302	180	180	120	45

- (i) During the Track Record Periods, the Group sold plastic products to CDN Group Holding, Shenzhen CDN Trading and Fast Precision Huizhou. Such sales have been recognised as the Group's revenue in profit or loss.
- (ii) During the years ended 31 December 2015, 2016 and the eight months ended 31 August 2017, Fast Precision Huizhou provided sub-contracting services to the Group for the manufacturing of moulds. Such services have been recognised as the Group's cost of goods sold in profit or loss.
- (iii) During the year ended 31 December 2014, CDN Group Holding provided testing services for e-cigarettes products to the Group. Such services have been recognised as the Group's cost of goods sold in profit or loss.
- (iv) During the years ended 31 December 2014 and 2015, the Group rendered mould testing services for the moulds traded by Fast Precision and such income has been recognised as the Group's other income in profit or loss.
- (v) During the Track Record Periods, rental expenses represented operating lease payments on premises charged by CDN Holdings to the Group.
- (vi) During the years ended 31 December 2015, 2016 and the eight months ended 31 August 2017, the Group leased out a portion of its production plants in the PRC to Fast Precision Huizhou. Such rental income has been recognised as the Group's other income in profit or loss.
- (vii) During the Track Record Periods, the Group rendered management service to Fast Precision. Such service income has been recognised as the Group's other income in profit or loss.

(b) Remuneration for key management personnel (including directors) of the Group:

	Year ended 31 December			Eight months ended 31 August	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Salaries and allowances	4,423	4,396	4,963	3,112	3,912
Contributions to defined contribution retirement schemes	66	89	120	75	72
	<u>4,489</u>	<u>4,485</u>	<u>5,083</u>	<u>3,187</u>	<u>3,984</u>

Further details of the directors' remuneration are set out in Note 7.

(c) Financial guarantee issued

The Group has issued guarantees in respect of banking facilities granted to a related company/a former related company ultimately controlled by the Ultimate Controlling Party in favour of a bank in Hong Kong with unlimited amount during the Track Record Periods. The Group has not recognised a value for the financial guarantees in the Historical Financial Information as (i) no consideration has been received from the related company/the former related company in respect of the financial guarantees; (ii) there is no direct comparable market transaction of the financial guarantees; and (iii) the fair value of the financial guarantees cannot be reliably estimated with observable parameters.

At the end of each reporting period, the management does not consider it probable that a claim will be made against the Group under the guarantees. The maximum liabilities of the Group under the guarantees are approximately HK\$9,803,000, HK\$5,872,000, HK\$1,781,000 and HK\$nil at 31 December 2014, 2015, 2016 and 31 August 2017, respectively, representing the banking facilities utilised by the related company/the former related company at the end of each reporting period. As at 31 August 2017, there were no outstanding banking facilities utilised by the former related company.

29. ADDITIONAL INFORMATION ON CASH FLOWS

(a) Major non-cash transactions

The followings set out the major non-cash transactions during the Track Record Periods:

During the years ended 31 December 2014 and 2015 and eight months ended 31 August 2017, the Group incurred additional payables of approximately HK\$115,354,000, HK\$4,441,000 and HK\$9,185,000, respectively to constructors for the addition of property, plant and equipment.

During the years ended 31 December 2014, 2015 and 2016 and eight months ended 31 August 2016 and 2017, the Group entered into finance lease arrangements in respect of certain motor vehicles and machinery and equipment with a total capital value at the inception of the leases of approximately HK\$5,316,000, HK\$18,903,000, HK\$14,666,000, HK\$8,584,000 (unaudited) and HK\$4,926,000, respectively.

During the years ended 31 December 2014, 2015 and 2016 and eight months ended 31 August 2016 and 2017, the Group incurred interest expenses from the loan from the Ultimate Controlling Party of approximately HK\$2,598,000, HK\$1,935,000, HK\$1,806,000, HK\$1,181,000 (unaudited) and HK\$1,199,000, respectively. Of the total amount, HK\$nil, HK\$476,000, HK\$440,000, HK\$775,000 (unaudited) and HK\$301,000 was not settled during the respective year/period, and was credited to the other payable.

During the years ended 31 December 2014, 2015 and 2016 and eight months ended 31 August 2016 and 2017, the Group incurred imputed interest expenses in respect of the payables for construction in progress of approximately HK\$804,000, HK\$4,426,000, HK\$3,241,000, HK\$2,296,000 (unaudited) and HK\$1,143,000, respectively which were not settled during the respective year/period and were credited to the payables for construction in progress.

(b) Reconciliation of liabilities arising from financing activities

The movements during the Track Record Periods in the Group's liabilities arising from financing activities are as follows:

	At		Non-cash changes			At
	1 January 2014	Cash flow	Addition	Imputed interest expenses	Foreign exchange movement	31 December 2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Year ended 31 December 2014</u>						
Payables for construction in progress	–	–	115,354	804	–	116,158
Interest-bearing borrowings	115,141	15,505	–	–	(312)	130,334
Obligations under finance leases	2,411	(1,303)	5,316	–	(27)	6,397
Loans from the Ultimate Controlling Party	44,786	(10,103)	–	–	(203)	34,480
	<u>162,338</u>	<u>4,099</u>	<u>120,670</u>	<u>804</u>	<u>(542)</u>	<u>287,369</u>
<u>Year ended 31 December 2015</u>						
Payables for construction in progress	116,158	(30,513)	4,441	4,426	(3,766)	90,746
Interest-bearing borrowings	130,334	39,825	–	–	(2,403)	167,756
Obligations under finance leases	6,397	(3,672)	18,903	–	(55)	21,573
Loans from the Ultimate Controlling Party	34,480	(2,938)	–	–	(1,013)	30,529
	<u>287,369</u>	<u>2,702</u>	<u>23,344</u>	<u>4,426</u>	<u>(7,237)</u>	<u>310,604</u>

	Non-cash changes					At 31 December 2016
	At 1 January 2016	Cash flow	Addition	Imputed interest expenses	Foreign exchange movement	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
<u>Year ended 31 December 2016</u>						
Payables for construction in progress	90,746	(45,279)	–	3,241	(5,282)	43,426
Interest-bearing borrowings	167,756	11,266	–	–	(4,447)	174,575
Obligations under finance leases	21,573	(7,343)	14,666	–	(1,847)	27,049
Loans from the Ultimate Controlling Party	30,529	–	–	–	(1,931)	28,598
	<u>310,604</u>	<u>(41,356)</u>	<u>14,666</u>	<u>3,241</u>	<u>(13,507)</u>	<u>273,648</u>

	Non-cash changes					At 31 August 2016
	At 1 January 2016	Cash flow	Addition	Imputed interest expenses	Foreign exchange movement	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
<u>Eight months ended 31 August 2016 (unaudited)</u>						
Payables for construction in progress	90,746	(34,493)	–	2,296	(7,622)	50,927
Interest-bearing borrowings	167,756	(11,682)	–	–	(2,190)	153,884
Obligations under finance leases	21,573	(5,799)	8,584	–	–	24,358
Loans from the Ultimate Controlling Party	30,529	–	–	–	(1,013)	29,516
	<u>310,604</u>	<u>(51,974)</u>	<u>8,584</u>	<u>2,296</u>	<u>(10,825)</u>	<u>258,685</u>

	At		Non-cash changes			At
	1 January	Cash flow	Addition	Imputed interest expenses	Foreign exchange movement	31 August
	2017	2017	2017	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Eight months ended</u>						
<u>31 August 2017</u>						
Payables for construction in progress	43,426	(18,553)	9,185	1,143	120	35,321
Interest-bearing borrowings	174,575	27,166	–	–	2,070	203,811
Obligations under finance leases	27,049	(7,441)	4,926	–	–	24,534
Loans from the Ultimate Controlling Party	28,598	(2,200)	–	–	778	27,176
	<u>273,648</u>	<u>(1,028)</u>	<u>14,111</u>	<u>1,143</u>	<u>2,968</u>	<u>290,842</u>

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of available-for-sale financial assets, amounts due from/to related companies/former related companies, the Ultimate Controlling Party and a director, other investments, bank overdrafts, interest-bearing borrowings, payables for construction in progress, obligations under finance leases, loans from the Ultimate Controlling Party and bank balances and cash. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its business activities.

The main risks arising from the Group's financial instruments are market risk (including price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk. The Group does not have any written risk management policies and guidelines. However, the management generally adopts conservative strategies on its risk management and limits the Group's exposure to these risks to a minimum level as follows:

Price risk

The Group is exposed to price risk arising from its unlisted investments in key management insurance contracts which are classified as available-for-sale financial assets. The fair value of the unlisted investments will fluctuate, subject to the returns which are at the discretion of the issuer of the investments. Such contracts have minimum guaranteed returns during the holding period. Management is of the opinion that the price risk arising from the contracts is not significant.

The Group is also exposed to price risk arising from the other investments which are classified as available-for-sale financial assets. Management is of the opinion that the price risk is minimal because (a) the risk and the expected return of the other investments is not significant; and (b) the holding period of the other investments is short, i.e. generally not more than three months.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's obligations under finance leases, interest-bearing borrowings and bank overdrafts of approximately HK\$137,115,000, HK\$182,455,000, HK\$201,284,000 and HK\$214,869,000 with floating interest rate at 31 December 2014, 2015, 2016 and 31 August 2017, respectively. The Group currently does not have a policy to hedge against the interest rate risk as the management does not expect any significant interest rate risk at the end of each reporting period.

At the end of each reporting period, if interest rate has been 100 basis points higher/lower and all other variables were held constant, the Group's pre-tax results would decrease/increase by approximately HK\$1,371,000, HK\$1,825,000, HK\$2,013,000 and HK\$2,149,000 for the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2017, respectively.

The sensitivity analysis above has been determined assuming that the change in interest rate had occurred throughout the Track Record Periods and had been applied to the exposure to interest rate risk for the closing balance of the obligations under finance leases, interest-bearing borrowings and bank overdrafts in existence at the end of each reporting period. The stated changes represent management's assessment of a reasonably possible change in interest rates over the Track Record Periods.

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent interest rate risk because the exposure at the end of each reporting period does not reflect the exposure during the Track Record Periods.

Foreign currency risk

The Group's transactions are mainly denominated in HK\$, US\$ and RMB.

Certain financial assets and financial liabilities of the Group are denominated in currencies other than the functional currency of the respective group entities and therefore exposed to foreign currency risk. The carrying amounts of those financial assets and liabilities are analysed as follows:

	Financial assets				Financial liabilities			
	At 31 December			At	At 31 December			At
	2014	2015	2016	31 August	2014	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$	24,069	5,356	3,044	1,843	897	777	1,062	589
US\$	55,923	59,188	75,115	64,065	40,717	57,039	70,867	52,422
RMB	23,523	24,755	20,683	21,397	25,763	24,745	22,798	23,576

The following table indicates the approximate change in the Group's pre-tax results if exchange rates of HK\$, US\$ and RMB had changed against the functional currencies of the respective group entities by 5% and all other variables were held constant at the end of each reporting period.

	At 31 December			At
	2014	2015	2016	31 August
	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
HK\$	1,159	229	99	63
US\$	760	107	212	582
RMB	112	–	106	109

The sensitivity analysis has been determined assuming that the changes in foreign exchange rates had occurred at the end of each reporting period and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the year until the end of the next reporting period.

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of each reporting period does not reflect the exposure during the Track Record Periods.

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Group, resulting in a loss to the Group. The Group's credit risk is mainly attributable to trade and other receivables, other investments and bank balances and cash. The Group limits its exposure to credit risk by selecting the counterparties with reference to their past credit history and/or market reputation. The Group's maximum exposure to the credit risk is summarised as follows:

	At 31 December			At 31 August
	2014	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and other receivables	108,947	102,936	108,752	105,044
Other investments	15,240	3,660	–	–
Bank balances and cash	21,904	25,607	18,919	33,955
	<u>146,091</u>	<u>132,203</u>	<u>127,671</u>	<u>138,999</u>

The Group trades with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

The management considers the credit risk in respect of other investments and bank balances and cash is minimal because the counter-parties are authorised financial institution with high credit ratings.

The management limits the Group's exposure to credit risk by taking timely actions once there is any indication for recoverability problem of each individual debtor.

The management also reviews the recoverable amount of each individual debtor, including related and third parties, at the end of each reporting period to ensure adequate allowance is made for irrecoverable amount.

At 31 December 2014, 2015, 2016 and 31 August 2017, the Group had a concentration of credit risk as approximately 25.2%, 18%, 18.5% and 20.7% of the total trade receivables was due from the Group's largest trade debtor, respectively, and approximately 76.1%, 71.9%, 71.6% and 72.5% of the total trade receivables was due from the Group's five largest trade debtors, respectively.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group has no specific policy for managing its liquidity. The undiscounted contractual maturity profile of the Group's financial liabilities at the end of each reporting period, based on contractual undiscounted payments, is summarised below:

	Total carrying amount	Total contractual undiscounted cash flow	Less than 1 year or on demand	1-2 years	2-5 years
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 December 2014					
Trade and other payables	66,783	66,783	66,783	–	–
Bank overdrafts	3,705	3,705	3,705	–	–
Obligations under finance leases	6,397	6,615	2,759	2,536	1,320
Interest-bearing borrowings (i)	130,334	140,418	73,184	16,656	50,578
Payables for construction in progress	116,158	126,049	53,402	34,925	37,722
Loans from the Ultimate Controlling Party	34,480	37,257	–	–	37,257
Financial guarantee contracts (ii)	9,803	9,803	9,803	–	–
	<u>367,660</u>	<u>390,630</u>	<u>209,636</u>	<u>54,117</u>	<u>126,877</u>
At 31 December 2015					
Trade and other payables	84,892	84,892	84,892	–	–
Bank overdrafts	2,116	2,116	2,116	–	–
Obligations under finance leases	21,573	22,726	7,944	6,508	8,274
Interest-bearing borrowings (i)	167,756	173,643	125,056	8,286	40,301
Payables for construction in progress	90,746	94,200	58,817	25,364	10,019
Loans from the Ultimate Controlling Party	30,529	32,371	–	–	32,371
Financial guarantee contracts (ii)	5,872	5,872	5,872	–	–
	<u>403,484</u>	<u>415,820</u>	<u>284,697</u>	<u>40,158</u>	<u>90,965</u>
At 31 December 2016					
Trade and other payables	90,325	90,325	90,325	–	–
Bank overdrafts	5,826	5,826	5,826	–	–
Obligations under finance leases	27,049	28,231	10,935	10,061	7,235
Interest-bearing borrowings (i)	174,575	177,413	140,834	16,739	19,840
Payables for construction in progress	43,426	46,156	28,747	17,409	–
Loans from the Ultimate Controlling Party	28,598	32,657	–	–	32,657
Financial guarantee contracts (ii)	1,781	1,781	1,781	–	–
	<u>371,580</u>	<u>382,389</u>	<u>278,448</u>	<u>44,209</u>	<u>59,732</u>

	Total carrying amount	Total contractual undiscounted cash flow	Less than 1 year or on demand	1-2 years	2-5 years
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 August 2017					
Trade and other payables	96,075	96,075	96,075	–	–
Bank overdrafts	1,365	1,365	1,365	–	–
Obligations under finance leases	24,534	25,521	12,011	9,732	3,778
Interest-bearing borrowings (i)	203,811	204,555	184,038	20,517	–
Payables for construction in progress	35,321	36,901	30,586	6,315	–
Loan from the Ultimate Controlling Party	27,176	30,296	–	23,589	6,707
	<u>388,282</u>	<u>394,713</u>	<u>324,075</u>	<u>60,153</u>	<u>10,485</u>

- (i) *The amounts repayable under certain bank loan agreements that include a clause that gives the banks unconditional rights to call the loans at anytime are classified under the category of “Less than 1 year or on demand”. However, the management does not expect that the banks would exercise such rights to demand the repayment and thus these borrowings, which include the related interest, would be repaid according to the below schedule as set out in the loan agreements.*

	<i>At 31 December</i>			<i>At 31 August</i>
	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Less than 1 year or on demand</i>	65,334	91,982	120,890	153,941
<i>1-2 years</i>	25,632	23,982	27,979	37,020
<i>2-5 years</i>	54,296	63,769	33,459	20,565
<i>Over 5 years</i>	1,049	1,372	430	345
	<u>146,311</u>	<u>181,105</u>	<u>182,758</u>	<u>211,871</u>

- (ii) *The amounts included above for the financial guarantee contracts are the maximum amounts of the guarantee shown in the earliest periods in which the guarantee could be called. Based on the expectations at the end of each reporting period, the management does not consider it probable that a claim will be made against the Group under the guarantee.*

31. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in the Historical Financial Information on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13 “Fair Value Measurement” with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

(a) Assets and liabilities measured at fair value

	At 31 December			At
	2014	2015	2016	31 August
	Level 3	Level 3	Level 3	2017
	HK\$'000	HK\$'000	HK\$'000	Level 3
				HK\$'000
Assets measured at fair value				
Available-for-sale financial assets				
– Unlisted investments – key management insurance contracts (Note 14)	1,844	6,595	7,514	10,435
– Other investments (Note 17)	15,240	3,660	–	–

During the Track Record Periods, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

	Year ended 31 December			Eight months ended	
	2014	2015	2016	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)
Total unrealised gains included in other comprehensive income for the Track Record Periods	14	369	210	175	198

The fair value of the key management insurance contracts is determined by reference to the surrender cash value, which is primarily based on the performance of the underlying investment portfolio, reported by the bank on a regular basis.

The fair value of the other investments is determined by reference to the price quoted by the banks at initial subscription and adjusted for any change in relevant interest rate, credit rating and/or the holding period of the other investments, if the impact is material.

(b) Assets and liabilities with fair value disclosure, but not measured at fair value

Except for other investments of which the fair value cannot be reliably measured, all other financial assets and liabilities including trade and other receivables, trade and other payables, bank balances, bank overdrafts, interest-bearing borrowings, payables for construction in progress, obligations under finance leases and loans from the Ultimate Controlling Party are carried at amounts not materially different from their fair values at the end of each reporting period.

32. COMMITMENTS

Commitments under operating leases

The Group as lessee

The Group leases a number of properties under operating leases, which typically runs an initial lease period of one to five years. None of the leases includes contingent rentals.

At the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	At 31 December			At
	2014	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Within one year	4,322	8,950	5,890	5,979
In the second to fifth years inclusive	14,935	26,310	10,901	7,265
	<u>19,257</u>	<u>35,260</u>	<u>16,791</u>	<u>13,244</u>

The Group as lessor

The Group leases out part of its production plant under operating leases with average lease term of 2 years. The future aggregate minimum rental receivables under non-cancellable operating leases at the end of each reporting period are as follows:

	At 31 December			At
	2014	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Within one year	639	614	654	677
In the second to fifth years inclusive	639	–	654	226
	<u>1,278</u>	<u>614</u>	<u>1,308</u>	<u>903</u>

Capital expenditure commitments

	At 31 December			At
	2014	2015	2016	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Contracted but not provided net of deposits paid for construction in progress	9,513	–	48,467	40,378
	<u>9,513</u>	<u>–</u>	<u>48,467</u>	<u>40,378</u>

33. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for equity owners. The Group manages its capital structure and makes adjustments, including payment of dividend to equity owners, call for additional capital from equity owners or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the Track Record Periods.

34. EVENTS AFTER THE REPORTING PERIOD

In addition to information disclosed elsewhere in the Historical Financial Information, subsequent to 31 August 2017, the Group has the following subsequent events:

- (i) The amounts due from/to the Ultimate Controlling Party/a director/related companies and the loans from the Ultimate Controlling Party are fully settled in September 2017.
- (ii) Pursuant to the resolution of the Company's shareholders passed on 8 February 2018, inter-alia, the authorised share capital of the Company was increased from HK\$390,000 to HK\$200,000,000 by the creation of an additional 1,996,100,000 shares of HK\$0.1 each and the Capitalisation Issue (as defined below) was conditionally approved.
- (iii) Pursuant to the resolutions in writing of the Company's shareholders passed on 8 February 2018, subject to the share premium account of the Company being credited as a result of the issue of the Company's shares, the directors of the Company were authorised to allot and issue a total of 464,997,000 shares of HK\$0.1 each to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK\$46,499,700 standing to be credit of the share premium account of the Company (the "**Capitalisation Issue**") and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the rights to participate in the Capitalisation Issue).

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared in accordance with HKFRSs and/or other applicable financial reporting standards for the Company or any of its subsidiaries in respect of any period subsequent to 31 August 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountants' Report from Mazars CPA Limited, Certified Public Accountants, the Company's reporting accountants, as set out in Appendix I to this Prospectus, and is included for information 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 as set out in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to equity owners of the Company at 31 August 2017 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group attributable to equity owners of the Company at 31 August 2017 or at any future dates following the Global Offering. It is prepared based on the audited net tangible assets of the Group attributable to equity owners of the Company at 31 August 2017 as set out in the Accountants' Report in Appendix I to this Prospectus, and adjusted as described below. The unaudited pro forma adjusted net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this Prospectus.

	Audited net tangible assets attributable to equity owners of the Company at 31 August 2017	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets attributable to equity owners of the Company	Unaudited pro forma adjusted net tangible assets attributable to equity owners of the Company per Share
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(Note 3)</i>
Based on the Offer Price of HK\$0.65 per Share	260,139	85,460	345,599	0.56
Based on the Offer Price of HK\$0.75 per Share	260,139	98,168	358,307	0.58

Notes to the unaudited Pro Forma Adjusted Net Tangible Assets

1. The audited net tangible assets attributable to equity owners of the Company at 31 August 2017 is extracted from the Accountants' Report as set out in Appendix I to this Prospectus, which is based on the audited combined net assets value attributable to equity owners of the Company as at 31 August 2017 of approximately HK\$260,139,000, without adjustment.
2. The estimated net proceeds from the Global Offering are based on 155,000,000 Offer Share at the Offer Price of HK\$0.65 per Offer Share or HK\$0.75 per Offer Share, being the low or high end of the stated offer price range, after deduction of relevant estimated underwriting commissions and fees and other related fees (excluding approximately HK\$14,706,000 listing-related expenses which have been accounted for during the eight months ended 31 August 2017) and taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option.
3. The unaudited pro forma adjusted net tangible assets attributable to equity owners of the Company per Share is arrived at after making the adjustments referred to in this section and on the basis of a total of 620,000,000 Shares in issue immediately following completion of the Global Offering but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix VI to this Prospectus or otherwise.
4. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 August 2017.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, Mazars CPA Limited, Certified Public Accountants, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this Prospectus.



MAZARS CPA LIMITED
瑪澤會計師事務所有限公司
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Tel 電話: (852) 2909 5555
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Website 網址: www.mazars.hk

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The Directors
Tian Chang Group Holdings Limited
Innovax Capital Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Tian Chang Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) prepared by the directors of the Company (the “**Directors**”). The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets attributable to the equity owners of the Company at 31 August 2017 as set out in Part A of Appendix II to the prospectus issued in connection with the initial listing of the Company's shares in the Main Board of The Stock Exchange of Hong Kong Limited dated 14 February 2018 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Part A of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering (as defined in the Prospectus) on the Group's financial position at 31 August 2017 as if the Global Offering had taken place on 31 August 2017. As part of this process, information about the Group's financial position at 31 August 2017 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' responsibility for the unaudited pro forma financial information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Reporting accountants' 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.

We apply Hong Kong Standard on Quality Control 1 "*Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements*" issued by the HKICPA and accordingly maintain a comprehensive system of quality control including documented policies and procedures 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 4.29 (7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We did 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 date of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions at 31 August 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors

in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Mazars CPA Limited

Certified Public Accountants

Hong Kong, 14 February 2018

The estimate of the combined profit of the Group for the year ended 31 December 2017 is set out in the section headed “Financial information – Profit estimate for the year ended 31 December 2017” in this Prospectus.

A. PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2017

The estimate of the combined profit of the Group for the year ended 31 December 2017 prepared by the Directors is based on (i) the audited combined results of the Group for the eight months ended 31 August 2017; and (ii) the unaudited combined results of the Group based on the management accounts for the four months ended 31 December 2017. The estimate has been prepared, in all material aspects, in accordance with the accounting policies consistent with those normally adopted by the Group as summarised in the Accountants’ Report, the text of which is set out in Appendix I to this Prospectus.

Profit estimate for the year ended 31 December 2017

	Estimate for the year ended 31 December 2017
Estimated combined profit attributable to equity holders of the Company.	not less than HK\$19 million

Note: The estimated combined profit attributable to owner of the Company for year ended 31 December 2017 has taken into account of the expected listing expenses incurred for the year ended 31 December 2017 of approximately HK\$15.8 million.

B. LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for inclusion in this Prospectus, received from the reporting accountants of the Company, Mazars CPA Limited, Certified Public Accountants, in relation to the Group's profit estimate for the year ended 31 December 2017.

**MAZARS CPA LIMITED**

瑪澤會計師事務所有限公司
42nd Floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel 電話: (852) 2909 5555
Fax 傳真: (852) 2810 0032
Email 電郵: info@mazars.hk
Website 網址: www.mazars.hk

Tian Chang Group Holdings Limited
Unit 6, 13/F
Block B, Hoi Luen Industrial Centre
55 Hoi Yuen Road, Kwun Tong
Kowloon, Hong Kong

Innovax Capital Limited
Room 2002, 20/F
Chinachem Century Tower
178 Gloucester Road, Wanchai
Hong Kong

Dear Sirs,

Tian Chang Group Holdings Limited (“**the Company**”)

Profit estimate for year ended 31 December 2017

We refer to the estimate of the combined profit of the Company and its subsidiaries (collectively referred to as the “**Group**”) attributable to equity holders of the Company for the year ended 31 December 2017 (the “**Profit Estimate**”) set forth in the section headed “Appendix III – Profit Estimate for the Year Ended 31 December 2017” in the prospectus of the Company dated 14 February 2018 (the “**Prospectus**”).

Directors’ responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the audited combined results of the Group for the eight months ended 31 August 2017, and the unaudited combined results based on the management accounts of the Group for the four months ended 31 December 2017.

The Company’s directors are solely responsible for the Profit Estimate.

Reporting accountants' 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 Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors of the Company and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors of the Company as set out in Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants’ report dated 14 February 2018, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 14 February 2018

C. LETTER FROM THE SOLE SPONSOR

The following is the text of a letter, prepared for inclusion in this Prospectus by the Sole Sponsor in connection with the estimate of our combined profit for the year ended 31 December 2017.

Innovax Capital Limited
Room 2002, 20/F
Chinachem Century Tower,
178 Gloucester Road,
Wanchai, Hong Kong

The Board of Directors
Tian Chang Group Holdings Ltd.
Workshop Unit 6
13th Floor, Block B
Hoi Luen Industrial Centre
55 Hoi Yuen Road
Kwun Tong
Hong Kong

14 February 2018

Dear Sirs,

We refer to the estimate of the combined profit of Tian Chang Group Holdings Ltd. (the “**Company**”, together with its subsidiaries, herein collectively referred to as the “**Group**”) for the year ended 31 December 2017 (the “**Profit Estimate**”), as set out in the prospectus dated 14 February 2018 issued by the Company (the “**Prospectus**”).

The Profit Estimate, for which the directors of the Company (“**Directors**”) are solely responsible, has been prepared by the Directors based on (i) the audited combined results of the Group for the eight months ended 31 August 2017 as set out in Appendix I to the Prospectus; and (ii) the unaudited combined results based on the management accounts of the Group for the four months ended 31 December 2017.

We have discussed with you the bases and assumptions made by the Directors as set out in Part A of Appendix III to the Prospectus, upon which the Profit Estimate has been made. We have also considered the letter dated 14 February 2018 addressed to you and us from the Company’s Reporting Accountants, Mazars CPA Limited, Certified Public Accountants, regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the bases and assumptions made by you and the accounting policies and calculations adopted by you and reviewed by Mazars CPA Limited, *Certified Public Accountants*, we are of the opinion that the Profit Estimate, for which you as Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of

Innovax Capital Limited

Alvin Kam

Managing Director

The following is the text of a report prepared for the purpose of incorporation in this Prospectus received from Roma Appraisals Limited, an independent valuer, in connection with its valuation as at 31 December 2017 of this Prospectus.



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Wan Chai, Hong Kong
Tel (852) 2529 6878
Fax (852) 2529 6806
E-mail info@romagroup.com
<http://www.romagroup.com>

14 February 2018

Tian Chang Group Holdings Ltd.

Unit 6, 13th Floor, Block B, Hoi Luen Industrial Centre,
55 Hoi Yuen Road,
Kwun Tong, Hong Kong

Dear Sir/Madam,

Re: Valuation of Various Properties Located in the People's Republic of China

In accordance with your instruction for us to value the properties held by Tian Chang Group Holdings Ltd. (the “**Company**”) and/or its subsidiaries (together with the Company referred to as the “**Group**”) in Hong Kong and the People's Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the properties as at 31 December 2017 for the purpose of incorporation in the prospectus of the Company dated 14 February 2018.

1. BASIS OF VALUATION

Our valuations of the properties are our opinion of the market values of the concerned properties which we would define as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. VALUATION METHODOLOGY

Due to the specific purpose for which most of the buildings and structures of the property have been constructed, there are no readily identifiable market comparables. Thus the buildings and structures have been valued on the basis of its depreciated replacement costs instead of direct comparison method. The depreciated replacement cost approach (“**DRC**”) is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In practice, Depreciated Replacement Cost approach may be used as a substitute for the Market Value of specialized property only, due to the lack of market comparables available. Our valuation does not necessarily represent the amount that might be realized from the disposition of the property and the DRC is subject to adequate profitability of the concerned business.

In valuing the Construction in Progress (the “**CIP**”) of property which is currently under construction as at the Date of Valuation, we have assumed that it will be developed and completed in accordance with the Construction Works Planning Permit and Construction Works Commencement Permit provided to us by the Group. In arriving at our opinion of value, we have taken into account the construction cost relevant to the stage of construction as at the Date of Valuation.

3. TITLE INVESTIGATION

For the property in the PRC, we have been provided with copies of extracts of title documents relating to the property in the PRC. However, we have not searched the original documents to ascertain the existence of any amendments which do not appear on the copies handed to us. We have relied to a very considerable extent on information given by the Group and the Group’s PRC legal adviser, Jingtian & GongCheng regarding the title to the properties in the PRC. All documents have been used for reference only.

In valuing the properties, we have relied on the advice given by the Group’s PRC legal adviser that, except for the mortgages as disclosed, the Group has valid and enforceable titles to the properties which are freely transferable, and have free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

4. VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the owners sell the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sales of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

5. SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of properties, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the values of the properties. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

6. VALUATION CONSIDERATION

We have not carried out on-site measurement to verify the site/floor areas of the properties under consideration but we have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the properties, we have complied with the HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors and Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited.

7. REMARKS

Unless otherwise stated, all monetary amounts stated in our valuation is in Renminbi (“**RMB**”).

Our Summary of Values and Valuation Certificates are attached.

Yours faithfully,

For and on behalf of

Roma Appraisals Limited

Nancy Chan

BSc (Hons) MHKIS MRICS

RPS (GP)

Director

Notes: Ms. Nancy Chan is a member of Hong Kong Institute of Surveyors and a member of the Royal Institution of Chartered Surveyors. She has over 8 years’ experience in real estate industry and property and asset valuation in Hong Kong, Macau, the PRC, Singapore, United Kingdom and other overseas countries.

SUMMARY OF VALUES

Group I – Property held by the Group for owner-occupation purpose in the PRC

No. Property	Market Value in Existing State as at 31 December 2017
1. An industrial development situated at Dongjiang Hi-tech Park No. DX-26-02, Huizhou City, Guangdong Province, The PRC 中國廣東省惠州市東江高新科技產業園DX-26-02號之一座工業廠房	RMB93,250,000
Sub-Total:	RMB93,250,000

Group II – Property held by the Group for owner-occupation and investment purposes in the PRC

No. Property	Market Value in Existing State as at 31 December 2017
2. An industrial development situated at No. 2 Xingde East Road and Construction in Progress situated at Dong Xing District No. DX-17-01-01, Dongjiang Hi-tech Park, Huizhou City, Guangdong Province, The PRC 中國廣東省惠州市東江高新科技產業園興德東路2號之一座工業廠房及東興片區DX-17-01-01在建工程	RMB223,950,000
Sub-Total:	RMB223,950,000
Grand-Total:	RMB317,200,000

VALUATION CERTIFICATE

Group I – Property held by the Group for owner-occupation purpose in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2017
1.	An industrial development situated at Dongjiang Hi-tech Park No. DX-26-02, Huizhou City, Guangdong Province, The PRC 中國廣東省惠州市東江高新科技產業園DX-26-02號之一座工業廠房	The property comprises a parcel of land with a site area of about 66,831.90 sq.m. (or about 719,378.57 sq.ft.) and various buildings and ancillary structures erected thereon, which were completed in about 2015. The property has a total gross floor area (“GFA”) of approximately 33,857.87 sq.m. (or about 364,446.11 sq.ft.) The land use rights of the property have been granted for a term expiring on 26 June 2062 for industrial use.	The property is occupied by the Group for industrial and ancillary uses.	RMB93,250,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate, Hui Fu Guo Yong (2012) Di No. 13021750013 (惠府國用(2012)第13021750013號) issued by Huizhou City People’s Government (惠州市人民政府) dated 7 August 2012, the land use rights of the property with a site area of 66,831.90 sq.m. have been granted to Sun Leader Mould Industrial (Huizhou) Co., Ltd (“Sun Leader”) (新利達模具實業(惠州)有限公司).
2. Pursuant to 4 Real Estate Title Certificates, Yue Fang Di Quan Zheng (Huizhou) Zi Di Nos. 1100322110, 1100322111, 1100322112 and 1100322113 (粵房權地證惠州字第1100322110, 1100322111, 1100322112及1100322113號) issued by Huizhou City Real Estate Management Bureau (惠州市房產管理局) all dated 27 April 2015, the buildings of the property with a total gross floor area of 33,857.87 sq.m. is legally held by Sun Leader.
3. Pursuant to a Mortgage Contract of Maximum Amount-D/SZ/A/R/050/16-1 dated 28 June 2016, a parcel of land with a total site area 66,831.9 sq.m. and buildings erected on with a total GFA of 33,857.87 sq.m. are subject to a mortgage in favour of Da Sing Bank (China) Limited (大新銀行(中國)有限公司) as security to guarantee the principal obligation under a contracts for a maximum amount of RMB42,000,000 with the security term from 28 June 2016 to 30 June 2019.
4. Our inspection was performed by Ms. Nancy Chan, MHKIS, MRICS, B.S.c. (Surv), in June 2017.
5. We have been provided with a legal PRC opinion on the title to the property issued by the Group’s PRC legal advisers, which contains, inter alia, the following information:
 - a Sun Leader has legal land use rights and building ownership;
 - b Sun Leader is in possession of a proper legal title and has the rights to occupy, use, lease, transfer or mortgage of the property during the term of land use rights; and
 - c For the land use rights of the property and ownership of the building which is subject to mortgage mentioned above, Sun Leader should obtain consent from the mortgagee when transfer, sell, lease, re-built or otherwise disposing of such land use rights and ownership rights of the building.

VALUATION CERTIFICATE

Group II – Property held by the Group for owner-occupation and investment purposes in the PRC

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2017
2.	An industrial development situated at No. 2 Xingde East Road and Construction in Progress situated at Dong Xing District No. DX-17-01-01, Dongjiang Hi-tech Park, Huizhou City, Guangdong Province, The PRC 中國廣東省惠州市東江興德東路2號高科技產業園之一座工業廠房及東興片區DX-17-01-01在建工程	The property comprises a parcel of land with a site area of about 95,998.50 sq.m. (or about 1,033,327.85 sq.ft.) and various buildings and ancillary structures erected thereon, which were completed in about 2015. The property has a total gross floor area (“GFA”) of approximately 91,893.09 sq.m. (or about 989,137.22 sq.ft.). As advised by the Group and per our site inspection, the property is currently under construction for new extension and will be developed into three 2-storey industrial buildings with a total gross floor area (“GFA”) of approximately 31,853.00 sq.m. (or about 342,865.69 sq.ft.). (the “CIP”). (Details refer to Note Nos. 3, 4 and 9)	Portion of the property is subject to 2 tenancies. Details refer to Note Nos. 7 and 8 The remaining portion of the property is occupied by the Group for industrial and ancillary uses.	RMB223,950,000
		The land use rights of the property have been granted for a term expiring on 6 July 2061 for industrial use.		

Notes:

- Pursuant to a State-owned Land Use Rights Certificate, Hui Fu Guo Yong (2011) Di No. 13021750013 (惠府國用(2011)第13021750013號) issued by Huizhou City People’s Government (惠州市人民政府) dated 18 August 2011, the land use rights of the property with a site area of 95,998.5 sq.m. have been granted to Huizhou City Tianchang Industrial Co., Ltd (“**Huizhou Tianchang**”) (惠州市天長實業有限公司).
- Pursuant to 10 Real Estate Title Certificates, Yue Fang Di Quan Zheng (Huizhou) Zi Di Nos. 1100312121, 1100312128, 1100312130, 1100312133, 1100312136, 1100312138, 1100312141, 1100312143, 1100312145 and 1100312124 (粵房權地證惠州字第1100312121, 1100312128, 1100312130, 1100312133, 1100312136, 1100312138, 1100312141, 1100312143, 1100312145及1100312124號) issued by Huizhou City Real Estate Management Bureau (惠州市房產管理局) all dated 16 February 2015, the buildings of the property with a total gross floor area of 91,893.09 sq.m. is legally held by Huizhou Tianchang.
- Pursuant to a Construction Works Planning Permit and its attachment hereto, Jian Zi Di No. DJ2016GC009 (建字第DJ2016GC09號) issued by Huizhou Zhongkai High-Tech Zone Dongjiang Hi-Tech Industrial Park Administrative Committee (惠州仲愷高新區東江高科技產業園管委會) dated 27 December 2016, the Planning Permit with a total gross floor area of approximately 31,853.00 sq.m. over a total site area of about 16,755.00 sq.m. is granted to Huizhou Tianchang.

4. Pursuant to a Construction Works Commencement Permit, No. 4413052201705190101 (編號 4413052201705190101) issued by Bureau of Housing, Urban and Rural Planning and Construction of Huizhou Municipality (惠州住房和城鄉規劃建設局) dated 19 May 2017, the Commencement Permit with a total gross floor area of approximately 31,853.00 sq.m. is granted to Huizhou Tianchang.
5. Pursuant to a Mortgage Contract – Yue Yingyebu (2013) Di Zi No.006 (粵營業部[2013]抵字006號) dated 8 June 2013, a parcel of land with a site area of 95,998.50 sq.m. is subject to a mortgage in favour of Huizhou Branch – Bank of Communication Co., Limited (交通銀行股份有限公司惠州分行) as security to guarantee the principal obligation under the Loan Contract – Yue Yingyebu [2013] Gu Dai Zi No.001 (粵營業部[2013]固貸字001號) for a loan amounting to RMB50,000,000. Pursuant to a Mortgage Contract – Yue Hui Zhou (2016) Di Zi No. 003 (粵惠州(2016)抵字003號) dated 7 June 2016, properties with a total GFA of 91,893.09 sq.m. are subject to a mortgage in favour of Huizhou Branch – Bank of Communication Co., Limited (交通銀行股份有限公司惠州分行) as security to guarantee the principal obligation under the Loan Contract – Yue Yingyebu [2013] Gu Dai Zi No.001 (粵營業部[2013]固貸字001號) for a loan amounting to RMB50,000,000.
6. Pursuant to a Mortgage Contract – Yue Hui Zhou (2016) Di Zi No. 005 (粵惠州(2016)抵字005號) dated 17 November 2016, a parcel of land with a site area of 95,998.50 sq.m. and the properties built upon the land with a total GFA of 91,893.09 sq.m. are subject to a mortgage in favour of Huizhou Branch – Bank of Communication Co., Limited (交通銀行股份有限公司惠州分行) as security to guarantee the principal obligation under a contract for a maximum amount of RMB119,453,235 with security term from 17 November 2016 to 29 May 2020.
7. Pursuant to a Tenancy Agreement made between Huizhou Tianchang, as Lessor and Fast Precision Mould (Huizhou) Limited, as Lessee, a related company controlled by the ultimate controlling shareholder of the Group, dated 30 December 2016, portion of property with GFA of 2,196 sq.m. is subject to a tenancy for a term of 2 years commencing on 1 January 2017 and expiring on 31 December 2018 at a monthly rent of RMB23,277.60 and monthly management fee of RMB6,368.40, all exclusive.
8. Pursuant to a Tenancy Agreement made between Huizhou Tianchang, as Lessor and Fast Precision Mould (Huizhou) Limited, as Lessee, a related company controlled by the ultimate controlling shareholder of the Group, dated 30 December 2016, portion of property with GFA of 1,396 sq.m. is subject to a tenancy for a term of 2 years commencing on 1 January 2017 and expiring on 31 December 2018 at a monthly rent of RMB14,797.60 and monthly management fee of RMB4,048.40, all exclusive.
9. As advised by the Group, the expected total contract sum of the CIP is about RMB45,084,000 and the total incurred construction cost is about RMB10,370,000 as at the Date of Valuation. The expected completion date of the CIP is by January 2018.
10. The estimated value of the property after the construction in progress has been completed, is in an approximate sum of RMB258,664,000.
11. Our inspection was performed by Ms. Nancy Chan, MHKIS, MRICS, B.S.c. (Surv), in June 2017.
12. We have been provided with a legal PRC opinion on the title to the property issued by the Group's PRC legal advisers, which contains, inter alia, the following information:
 - a Huizhou Tianchang has legal land use rights and building ownership;
 - b Huizhou Tianchang is in possession of a proper legal title and has the rights to occupy, use, lease, transfer or mortgage of the property during the term of land use rights; and
 - c For the land use rights of the property and ownership of the building which is subject to mortgage mentioned above, Huizhou Tianchang should obtain consent from the mortgagee when transfer, sell, lease, re-built or otherwise disposing of such land use rights and ownership rights of the building.

APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 April 2017 under the Companies Law. The Company's constitutional documents consist of its Memorandum and its 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 8 February 2018 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.

**APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

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

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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.

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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.

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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 authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the 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.

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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.

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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

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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.

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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.

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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.

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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

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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 the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (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

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- (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 17 May 2017.

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) Beneficial Ownership Register

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 beneficial ownership register 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 shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(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.

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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 VII 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.

1. FURTHER INFORMATION ABOUT OUR GROUP

1.1 Incorporation of our Company in the Cayman Islands and registration of our Company under Part 16 of the Companies Ordinance

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 26 April 2017. Our Company's registered office is at the office of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our Company has established a principal place of business in Hong Kong at Unit 6, 13th Floor, Block B, Hoi Luen Industrial Centre, 55 Hoi Yuen Road, Kwun Tong, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 14 June 2017. Mr. Chan and Ms. Poon Po Han Lisa have been appointed as the authorised representatives of our Company for the acceptance of service of process in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operation is subject to the laws of the Cayman Islands and its constitution comprising the Memorandum and the Articles. A summary of certain provisions of the Memorandum and the Articles and relevant aspects of the Companies Law is set out in Appendix V to this Prospectus.

1.2 Changes in the share capital of our Company

- (a) Our Company was incorporated in the Cayman Islands on 26 April 2017 with an authorised share capital of HK\$390,000 divided into 3,900,000 Shares.
- (b) On 26 April 2017, one fully-paid Share was allotted and issued to the initial subscriber, an Independent Third Party, who then transferred the same one Share to Mr. Chan on the same day.
- (c) On 26 April 2017, our Company further allotted and issued 2,999 Shares to Mr. Chan at a par value of HK\$0.10 each.
- (d) On 12 June 2017, Mr. Chan transferred 820 Shares, 820 Shares, 609 Shares, 511 Shares, 160 Shares and 80 Shares to Oceanic Green, New Strength, Gold Alliance, New Straits, Treasure Line and Flaming Sapphire, respectively at the considerations which were settled by the issuance and allotment to Mr. Chan of 819 shares, 819 shares, 608 shares, 510 shares, 159 shares and 79 shares, respectively by each of Oceanic Green, New Strength, Gold Alliance, New Straits, Treasure Line and Flaming Sapphire of its respective shares.
- (e) Pursuant to the written resolutions of all our Shareholders passed on 8 February 2018, the authorised share capital of our Company was increased from HK\$390,000 to HK\$200,000,000 by the creation of an additional of 1,996,100,000 Shares.

- (f) Immediately following completion of the Capitalisation Issue and the Global Offering but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, 620,000,000 Shares will be issued fully paid or credited as fully paid, and 1,380,000,000 Shares will remain unissued. In the event that the Over-allotment Option is exercised in full, 643,250,000 Shares will be issued fully paid or credited as fully paid, and 1,356,750,000 Shares will remain unissued.
- (g) Except for the issue of Shares pursuant to the exercise of the Over-allotment Option, our Company does not have any present intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.
- (h) The Company has no founder shares, management shares or deferred shares.

Save as disclosed above and in the section headed “Share Capital” and “History, Reorganisation and Corporate Structure” in this Prospectus, there has been no alteration in the share capital of our Company since its incorporation.

1.3 Written resolutions of the Shareholders passed on 8 February 2018

Pursuant to the written resolutions of our Shareholders passed on 8 February 2018, among other things:

- (a) our Company approved and adopted the Memorandum with immediate effect and approved and conditionally adopted the Articles of our Company with effect from the Listing Date;
- (b) the authorised share capital of the Company was increased from HK\$390,000 divided into 3,900,000 Shares to HK\$200,000,000 divided into 2,000,000,000 Shares by the creation of additional 1,996,100,000 Shares (the “**Increase**”);
- (c) conditional on (A) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Global Offering; (B) the Offer Price having been determined between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters); (C) the execution and delivery of the Hong Kong Underwriting Agreement on or before the dates as referred to in this Prospectus; (D) the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this Prospectus:
 - (i) the Global Offering and the grant of the Over-allotment Option were approved and the Directors were authorised to allot and issue the Offer Shares pursuant to the Global Offering and such additional number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;

- (ii) following the Increase and conditional on the share premium account of our Company being credited as a result of the Global Offering, the Directors were authorised to capitalise the sum of HK\$46,499,700 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 464,997,000 Shares for allotment and issue to holder(s) of Shares whose names appear on the register of members of our Company at the close of business on the date of the Prospectus (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing respective shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution should rank equally in all respects with the then existing issued Shares (other than the right to participate in the Capitalisation Issue) and the Directors were authorised to give effect to such Capitalisation;
- (iii) a general unconditional mandate (“**Issuing Mandate**”) was given to the Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or other arrangements regulated by Chapter 17 of the Listing Rules, or under the Capitalisation Issue or the Global Offering, or issue of Shares upon exercise of rights of subscription or conversion attaching to any warrants of our Company or any securities which are convertible into Shares, Shares with an aggregate number not exceeding the sum of (aa) 20% of the total number of Shares in issue and to be issued immediately following completion of the Capitalisation Issue and the Global Offering but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the Over-allotment Option and (bb) the total number of Shares which may be purchased by our Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (iv) below, until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first;
- (iv) a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors to exercise all powers of our Company to purchase Shares with an aggregate number of not exceeding 10% of the total number of Shares in issue and to be issued immediately following completion of the Capitalisation Issue and the Global Offering but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the Over-allotment Option until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other

applicable law to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and

- (v) the extension of the general mandate to allot, issue and deal with Shares to include the number of Shares which may be purchased or repurchased pursuant to paragraph (iv) above; and
- (d) the form and substance of (i) each of the service agreements made between our executive Directors and us, and (ii) each of the appointment letters made between each of our independent non-executive Directors and us were approved.

1.4 Group Reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's corporate structure in preparation for the Listing. For more details regarding the Reorganisation, please refer to the section headed "History, Reorganisation and Corporate Structure" in this Prospectus.

1.5 Changes in the share capital of our subsidiaries

The principal subsidiaries of our Company are set out 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" in this Prospectus, no other alterations in the share capital of the Company's subsidiaries took place within the two years immediately preceding the date of this Prospectus.

1.6 Repurchases by our Company of our own securities

This section includes information required by the Stock Exchange to be included in this Prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions, a summary of which is set out below:

(i) Shareholders' approval

All proposed repurchase 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 of the shareholders, 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, the Articles, the 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 from time to time. Subject to the foregoing, under the Companies Law, any repurchase by our Company may be made out of our Company's profits, out of sums standing to the credit of our Company's share premium account, out of the proceeds of a new issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital. Any amount of premium payable on the purchase over the par value of the Shares to be repurchased must be out of profits or from sums standing to the credit of our Company's share premium account or, if authorised by the Articles, and subject to the Companies Law, 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 listed 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 listed 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 Listing Rules also prohibit a listed company from repurchasing its securities which would result in the number of the 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 discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased shares

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 repurchase*

A listed company may not make any repurchase of securities on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half year, quarterly or any other interim period (whether or not required under the 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 Listing Rules, or quarterly or any other interim period (whether or not required under the 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 Listing Rules.

(vi) *Reporting requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported 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 is 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 purchase, where relevant, and the aggregate prices paid. The director's report shall contain reference to the purchases made during the year and the reasons for making such purchases.

(vii) *Core connected persons*

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person" (that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates) and a core connected person is prohibited from knowingly selling his securities to the company on the Stock Exchange.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an increase in the net assets and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) *Funding of repurchases*

In repurchasing Shares, our Company may only apply funds lawfully available for such purpose in accordance with the Memorandum, the Articles, the Listing Rules and the applicable laws of the Cayman Islands. There could be a material adverse impact on the working capital 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 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 620,000,000 Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), could accordingly result in up to approximately 62,000,000 Shares being repurchased by our Company during the period prior to the earliest occurrence of any of the following: (i) the conclusion of our next annual general meeting; or (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Law or any other applicable law to be held; or (iii) the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to the Directors. None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

Accordingly, a Shareholder or a group of Shareholders acting in concert 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 aforesaid, 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 being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

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.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

2.1 Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this Prospectus which are or may be material to our business:



- (a) the share transfer agreement dated 1 June 2017 and entered into between Mr. Chan and Tian Chang BVI, pursuant to which Tian Chang BVI agreed to purchase 100% interest in Tian Chang HK at a consideration of HK\$10,000;
- (b) the share transfer agreement dated 1 June 2017 and entered into among Mr. Chan, Mr. Cheng Chak and Sun Leader BVI, pursuant to which Sun Leader BVI agreed to purchase all the issued shares of Sun Leader HK at a consideration of HK\$1,000,000 from Mr. Chan and Mr. Cheng Chak as the trustee of Mr. Chan;
- (c) the Deed of Indemnity;
- (d) the Deed of Non-Competition; and
- (e) the Hong Kong Underwriting Agreement.

2.2 Intellectual Property Rights

(a) Trademarks



Registered Trademarks in Hong Kong

As of the Latest Practicable Date, our Group had registered the following trademarks in Hong Kong:

Trademark	Class	Registration number	Date of registration	Expiry date
	7	304010589	4 January 2017	4 January 2027
	40, 42	304010570	4 January 2017	4 January 2027

Trademark applications in the PRC

As of the Latest Practicable Date, our Group had filed applications for the registration of the following trademarks in the PRC:

No.	Trademark	Applicant	Application number	Class(es)	Filing date
1.		Sun Leader HK	22515050	7	5 January 2017
2.		Tian Chang Industrial	22584786	17	11 January 2017
3.		Tian Chang Industrial	22585089	42	11 January 2017

As at the Latest Practicable Date, there were no other trademarks which were subjects of applications for trademark registration and/or renewal applications which registration has not been granted.

(b) Domain Name

As at the Latest Practicable Date, our Group was the registrant of the following domain names:

No.	Domain name	Registered owner	Registration date	Expiry date
1.	hktcgroup.com	Tian Chang Industrial	2 May 2014	2 May 2020
2.	sunleader.com	Tian Chang Industrial	24 February 2000	24 February 2020
3.	tianchangholdings.com	Tian Chang Shenzhen	23 June 2006	23 June 2020

Save as aforesaid, there are no other trade or service marks, copyrights, patents, other intellectual or industrial property rights, which are or may be material in relation to our Group's business.

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

3.1 Disclosure of Interests

(a) *Interests and short positions of our Directors and the chief executive in the Shares, underlying Shares or debentures of our Company and its associated corporations*

Immediately following completion of the Capitalisation Issue and the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the interests or short positions of each of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Main Board, 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 any interests or 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 into in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Securities Dealing Model Code**”) as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

Long positions in the Shares of our Company

Name of Director	Nature of interest	Immediately after the Capitalisation Issue and the Global Offering	
		Number of Shares held	Approximate percentage of shareholding in our Company
Mr. Chan	Interest in controlled corporations (Note)	465,000,000 (long position)	75%

Note: The Shares are held by Oceanic Green, New Strength, Gold Alliance, New Straits, Treasure Line and Flaming Sapphire, which are all wholly owned by Mr. Chan. By virtue of the SFO, Mr. Chan is deemed, or taken to be, interested in all the Shares held by each of Oceanic Green, New Strength, Gold Alliance, New Straits, Treasure Line and Flaming Sapphire.

Save as disclosed in the section headed “History, Reorganisation and Corporate Structure” in this Prospectus, none of our Directors or their close associates were engaged in any dealings with our Group during the two years preceding the date of this Prospectus.

(b) Interests of the Substantial Shareholders

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the following persons (not being a Director or chief executive of our Company) will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of the Group:

Long positions in Shares of our Company

Name of Shareholder(s)	Nature of interest	Immediately after the Capitalisation Issue and the Global Offering	
		Number of Shares held	Approximate percentage of shareholding
Oceanic Green	Beneficial Owner	127,100,000 Shares (long position)	20.5%
New Strength	Beneficial Owner	127,100,000 Shares (long position)	20.5%
Gold Alliance	Beneficial Owner	94,395,000 Shares (long position)	15.225%
New Straits	Beneficial Owner	79,205,000 Shares (long position)	12.775%
Treasure Line	Beneficial Owner	24,800,000 Shares (long position)	4%
Flaming Sapphire	Beneficial Owner	12,400,000 Shares (long position)	2%
Mr. Chan ⁽¹⁾	Interest in controlled corporations	465,000,000 Shares (long position)	75%
Ms. Fung Suk Yee May ⁽²⁾	Interest of spouse	465,000,000 Shares (long position)	75%

Note:

- (1) Each of Oceanic Green, New Strength, Gold Alliance, New Straits, Treasure Line and Flaming Sapphire, is wholly-owned by Mr. Chan, who is therefore deemed to be interested in all the Shares held by each of Oceanic Green, New Strength, Gold Alliance, New Straits, Treasure Line and Flaming Sapphire.
- (2) Ms. Fung Suk Yee May is the spouse of Mr. Chan. Therefore, she is deemed to be interested in the Shares in which Mr. Chan is interested for the purpose of the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the Capitalisation Issue and the Global Offering, have an interest or short position in the Shares or underlying Shares, which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

3.2 Particulars of Service Contracts

(a) *Executive Directors*

Each of our executive Directors has entered into a service contract with our Company pursuant to which each of them has agreed to act as an executive Director for an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant service contracts.

Each of our executive Directors is entitled to a basic salary and a director's fee as set out below. In addition, each of the executive Directors is also entitled to a discretionary management bonus. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him/her. The current annual remuneration of our executive Directors are as follows:

Name	Aggregate remuneration (HK\$'000)
Chan Tsan Lam (陳燦林)	1,131
Cheng Chak (鄭澤)	1,404
Chan Yin Yan (陳燕欣)	690

(b) *Independent Non-executive Directors*

Each of our independent non-executive Directors has been appointed for an initial term of three years commencing from the Listing Date. Each of our independent non-executive Directors is entitled to a director's fee of HK\$120,000 per annum. Save for the directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their respective offices.

Save as disclosed aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any member of our Group other than contracts expiring or determinable by member of our Group within one year without payment of compensation (other than statutory compensation).

3.3 Directors' and senior management's remuneration

For the three years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2017, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) paid by us to our Directors were approximately HK\$3,526,000, HK\$3,070,000, HK\$2,864,000 and HK\$2,150,000, respectively. Save as disclosed under Note 7 to the financial information in the Accountants' Report set out in Appendix I to this Prospectus, no Director received other remuneration or benefits in kind from the Company in respect of the three years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2017.

Under the current arrangements, our Directors will be entitled to receive compensation (including remuneration and benefits in kind) from the Company for the year ended 31 December 2017 under arrangement in force as of the date of this Prospectus which is expected to be approximately HK\$3,225,000 in aggregate.

Each of the Directors is entitled to reimbursement for all reasonable expenses properly incurred in the performance of his or her duties.

Save as disclosed above, no other payments have been paid or are payable by us to the Directors in respect of the three years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2017.

There is no arrangement under which any Director has waived or agreed to waive future emoluments, nor has there been any waiver of emoluments by any Director during the current financial year.

3.4 Agency Fees or Commissions Paid or Payable

Save as disclosed in the section headed "Underwriting" in this Prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of our subsidiaries within the two years preceding the date of this Prospectus.

3.5 Related Party Transactions

During the two years preceding the date of this Prospectus, we have engaged in material related party transactions as described in Note 28 to the financial information in the Accountants' Report set out in Appendix I to this Prospectus.

3.6 Disclaimers

Save as disclosed in “Directors and Senior Management” and as of the Latest Practicable Date:

- (a) our Directors were not aware of any other person (not being a Director or the chief executive of the Company) who will, immediately following completion of the Global Offering, have interests and/or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of the share capital of the Company carrying rights to vote in all circumstances at general meetings of the Company;
- (b) none of our Directors or the chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company, our subsidiary or any of the associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;
- (c) none of our Directors nor any of the parties listed in the paragraph headed “Qualifications of Experts” of this Appendix was interested, directly or indirectly, in the promotion of, or in any assets which had been, within the two years immediately preceding the date of this Prospectus, acquired or disposed of by or leased to any member of the Company, or were proposed to be acquired or disposed of by or leased to any member of the Company;
- (d) none of our Directors nor any of the parties listed in the paragraph headed “Qualifications of Experts” of this Appendix was materially interested in any contract or arrangement subsisting at the date of this Prospectus which was significant to the business of the Company taken as a whole;
- (e) save in connection with the Underwriting Agreements, none of the experts referred to in the paragraph headed “Qualifications of Experts” of this Appendix had any shareholding in any member of the Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Company; and
- (f) none of our Directors or their respective close associates nor, to the knowledge of the Directors, any Shareholders who held more than 5% of the total Shares as of the Latest Practicable Date had any interest in the five largest customers or the five largest suppliers of the Company.

4. PROPOSED SHARE AWARD PLAN

Summary of Terms

We intend to adopt a share award plan (the “**Plan**”) one year following the Listing. The Plan will not be subject to the provisions of Chapter 17 of the Listing Rules as the Plan will not involve the grant of options by our Company to subscribe for new Shares. The principal terms of the Plan subject to determination of the Board as currently contemplated are as follows:

1. Purpose, Administration and Duration

- 1.1 The purpose of the Plan is to recognise and reward the contribution of any employee (including without limitation any directors) of the Company and its subsidiary(ies) from time to time to the growth and development of the Group through an award of Shares. Eligible employees will be limited to those who have been working for the Group on or prior to 13 July 2017 (being the date on which the Company submitted application to the Stock Exchange for the Listing) until the date the Shares are awarded to him/her pursuant to the proposed share award plan and who, in the opinion of Mr. Chan and the Board, have contributed to the development and business of the Group and none of the eligible employees under the Plan will be given more than 3% interest in the Company.
- 1.2 The Plan shall be subject to the administration of the Board whose decisions on all matters arising in relation to the Plan or its interpretation or effect shall be final, conclusive and binding on all persons who may be affected thereby. Under the Plan, the Board may delegate the administration of the Plan to such person(s) or committee(s) as the Board may see fit. Upon the adoption of the Plan, the Board intends to delegate the administration of the Plan to a special committee comprising of one executive Director and one independent non-executive Director, and we intend to engage a professional trustee for operation and management of the Plan.
- 1.3 A selected employee shall ensure that the acceptance, vesting and the holding of any awarded Shares under the Plan and the exercise of all rights attaching thereto are valid and comply with all laws, legislation and regulations including all applicable exchange control, fiscal and other laws to which he is subject. The Board may, as a condition precedent of making an award, require a selected employee to produce such evidence as it may reasonably require for such purpose.
- 1.4 Subject to paragraph 10, the Plan shall be valid and effective for a term of 10 years commencing from the adoption date, after which no further awards may be made but the provisions of the Plan shall remain in full force and effect to the extent necessary to give effect to any awards made prior thereto and the administration of the trust property held by the trustee for the purpose of the Plan.

2. Award of Shares

- 2.1 The Board shall, subject to and in accordance with the provisions of the Plan, be entitled (but shall not be bound) to, at any time during the continuation of the Plan, make an award to any of the eligible employees of such number of issued Shares, as the Directors shall determine pursuant to the Plan.

- 2.2 The making of an award to any core connected person must be approved by the independent non-executive Directors. No independent non-executive Director will be eligible to take part in the Plan.
- 2.3 The eligibility of any of the eligible employees to an award shall be determined by Mr. Chan and approved by the Board from time to time on the basis of the Board's opinion as to his contribution to the development and growth of the Group.
- 2.4 The Board shall notify the trustee in writing upon the making of an award under the Plan (the "**Award Notice**") and the Board shall specify therein the following:
- (a) the name, address and position of the relevant selected employee;
 - (b) the number of awarded Shares provisionally awarded to the relevant selected employee pursuant to such award;
 - (c) the earliest date (the "**Earliest Vesting Date**"), if applicable, on which the trustee may vest the legal and beneficial ownership of the awarded Shares in the relevant selected employee under paragraph 5.1;
 - (d) the condition(s) or performance target(s), if any, that must be attained by the relevant selected employee before any of the awarded Shares may be transferred to and vested in such selected employee under such award; and
 - (e) such other terms and conditions of such award as may be imposed by the Board on either the trustee and/or the relevant selected employee before the awarded Shares may be transferred to and vested in such selected employee.
- 2.5 The Board shall notify the selected employee in writing after an award has been made to such selected employee and the notice shall contain substantially the same information as that set out in the Award Notice provided that nothing contained in such notice shall be construed as conferring any rights, interests, benefits and title to and in the awarded Shares on such selected employee before the vesting of the legal and beneficial ownership of such awarded Shares in the selected employee in accordance with the provisions of the Plan. An award shall be deemed to be irrevocably accepted by a selected employee unless the selected employee shall within three business days after receipt of such notice from the Board notify the Company in writing that he would decline to accept such award.
- 2.6 For so long as the Shares are listed on the Stock Exchange:
- (a) an award may not be made after inside information has come to the Company's knowledge until the Company has announced the information in accordance with the requirements under the Listing Rules; and

- (b) the Directors may not make an award to an eligible employee who is a core connected person during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

2.7 Any Shares awarded under the Plan will rank *pari passu* in all respects with the Shares in issue as of the date of grant

3. Pool of Awarded Shares

The total number of Shares under the Plan will initially be 116,405,000 Shares, which represents approximately 18.775% of the issued share capital of the Company immediately upon completion of the Global Offering and Capitalization Issue (assuming that the Over-allotment Option is not exercised).

4. Voting Rights of the Shares in the Shares Pool

The trustee shall not exercise the voting rights in respect of the Shares held under trust, including without limitations the shares provisionally awarded under the Plan and Shares in the shares pool. The selected employee shall not have any right to receive any awarded Shares set aside for them unless and until the trustee has transferred and vested the legal and beneficial ownership of such awarded Shares to and in the selected employees.

5. Vesting of the Awarded Shares

5.1 Subject to paragraph 6, the trustee shall transfer to and vest in any selected employee the legal and beneficial ownership of the awarded Shares to which such selected employee is entitled under the relevant award and all the Other Distributions (as set out in paragraph 5.2(a)) attributable to such awarded Shares within ten (10) business days after the latest of:

- (a) the Earliest Vesting Date, if applicable, as specified in the Award Notice to which such award relates; and
- (b) where applicable, the date on which the condition(s) or performance target(s) (if any) to be attained by such selected employee as specified in the related Award Notice have been attained and notified to the trustee by the Board in writing. If the vesting date shall fall on any day on which the Board is restricted from making any award as referred to in paragraph 2.6, the vesting date shall be postponed.

5.2 During the vesting period (if any):

- (a) any dividends and other distributions (the “**Other Distributions**”) declared and made in respect of any awarded Shares shall be held by the trustee for the benefit of, and shall only be payable or transferable (as the case may be) to, the relevant selected employee when such awarded Shares are vested in such selected employee in accordance with paragraph 5.1;
- (b) if the Company shall offer to the Shareholders new Shares or other securities for subscription by way of rights, options or warrants and no amount is required to be payable by the Shareholders for such rights, options or warrants, the trustee shall sell any nil-paid rights, options or warrants allotted to it in respect of the awarded Shares held by it if there is an open market for such rights, options or warrants. The net proceeds of such sale shall, upon termination of the Plan, be treated and dealt with as income of the trust fund under the trust deed generally. For the avoidance of doubt, no selected employees shall have any right to, or interest in, any nil-paid rights, options or warrants (or the underlying Shares, or the proceeds of sale of any such nil-paid rights, options or warrants) allotted under such offer;
- (c) if the Company shall offer to the Shareholders new shares or other securities for subscription by way of rights, options, warrants or other open or preferential offer and consideration is required to be paid for the taking up and/or the exercise of such rights, options, warrants or open or preferential offer, the trustee shall decline to take up, purchase and/or subscribe for such rights, options, warrants or open or preferential offer. For the avoidance of doubt, no selected employees shall have any right to, or interest in, any such offer;
- (d) without prejudice to sub-paragraph (a) above, with respect to any dividends declared by the Company and in connection with which the Company shall allow its Shareholders to elect to receive Shares in lieu of cash (as provided for in the relevant announcement and/or circular of the Company), then in respect of the awarded Shares provisionally set aside for any selected employee which have not vested, the trustee shall have the right (in its absolute discretion) to determine whether it shall elect to receive Shares in lieu of cash or cash in respect of such dividends, and any such scrip dividend or cash dividend so elected and received by the trustee shall be treated as and constitute Other Distributions referred to in paragraph 5.2(a). For the avoidance of doubt, no selected employees shall have any right to give any direction to, or make any claim against, the trustee in relation to the making of the said election; and

(e) if a general or partial offer, whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner is made to all the Shareholders, or all Shareholders other than the offeror, any persons controlled by the offeror and any persons acting in association or concert with the offeror, and such offer becomes or is declared unconditional prior to the vesting of the Awarded Shares in the relevant selected employees pursuant to paragraph 5.1, the Board shall have the right in their absolute discretion to determine whether the trustee shall elect to accept such offer (or any revised offer) and, if applicable, shall direct the trustee in writing to accept such offer accordingly. In the event that the offer (or revised offer) is so elected to be accepted, all proceeds in respect of the awarded Shares paid or payable to the trustee by reason of such acceptance shall be held by the trustee for the benefit of the relevant selected employee, and the same shall only be payable to the relevant selected employee on the vesting date of the award relating to such selected employee has not lapsed or been cancelled under paragraph 6.

5.3 In the event that a selected employee passes away prior to the vesting date of the award relating to such selected employee, and such award has not lapsed or been cancelled by reason of paragraph 6, the awarded Shares under such award shall be held by the trustee on behalf of the personal representative(s) of such selected employee and the trustee shall transfer to such personal representative(s), as notified by the Board in writing, such awarded Shares and all Other Distributions attributable thereto on such vesting date, whereupon the trustee shall be discharged from all duties and liabilities in respect of such selected employee.

6. Lapse of Awards

6.1 In the event that any selected employee ceases to be an eligible employee by virtue of a corporate reorganisation of the Group or any invested entity of the Company, then any award with respect to any unvested Shares made to such selected employee shall forthwith lapse and be cancelled.

6.2 An award with respect to any unvested Shares made to any selected employee shall forthwith lapse and be cancelled if the selected employee ceases to be an eligible employee by reason of a termination of his employment with the Group or any invested entity of the Company for whatever reason other than his death or retirement in accordance with his contract of employment. If any selected employee ceases to be an eligible employee by reason only of his death or retirement in accordance with his contract of employment, the awarded Shares which are set aside for him pursuant to an award shall be transferred to and vested in him or, as the case may be, his personal representative(s) in accordance with paragraph 5.3.

7. Unvested Shares

Where the awarded Shares which are set aside for a selected employee pursuant to an award do not vest by reason of a lapse of such award under paragraph 6, the trustee shall hold such awarded Shares and all Other Distributions attributable thereto exclusively for the benefit of all or one or more of the eligible employees as the Board shall in its absolute discretion at any time determine and select in writing as the selected employee(s).

8. Disputes

Any dispute arising in connection with the Plan shall be referred to the decision of the Board whose decisions shall be final, conclusive and binding on all persons who may be affected thereby.

9. Alteration of the Plan

The Plan may be altered by a resolution of the Board, provided that no such alteration shall operate to affect adversely any rights of any selected employee in respect of his awarded Shares which remain unvested except with the consent in writing of the majority of the selected employees whose awarded Shares remained unvested on that date (but, for the avoidance of doubt, excluding for this purpose any such Shares in respect of which that date is a vesting date) as would be required of the holders of Shares under the Articles for a variation of the rights attached to such Shares.

10. Termination

10.1 The Board may by resolution at any time terminate the operation of the Plan in which event no further Award may be made provided that such termination shall not affect any subsisting rights of any selected employee in respect of any award made to him prior to such termination.

10.2 If, at the date of the termination of the Plan, the trustee holds any Shares which has not been set aside in favour of any selected employee or the Other Distributions attributable thereto, then the trustee shall, within twenty-one (21) business days after receiving notice of such termination, sell such Shares and remit the proceeds of sale (after making appropriate deductions in respect of stamp duty and other costs, liabilities and expenses in accordance with the trust deed) together with such Other Distributions to the Company.

11. General

As of the Latest Practicable Date, the Plan has not been adopted by the Company, and no awards have been granted or agreed to be granted by the Company pursuant to the Plan. The Company will make appropriate announcement in accordance with the requirements of the Listing Rules upon adoption of the Plan. Details of the Plan, including particulars of the awards granted during each financial year of the Company will be disclosed in its annual or interim report.

5. OTHER INFORMATION

5.1 Indemnities

On 9 February, our Controlling Shareholders entered into the Deed of Indemnity with and in favour of the Company (for ourselves and for each of our subsidiaries), pursuant to which our Controlling Shareholders agreed and undertook with the Company, subject to the terms of the Deed of Indemnity, to indemnify and keep the Company indemnified on a joint and several basis against any and all tax liabilities falling on the Company which might be payable by us in respect of, among others, any incomes, profits or gains earned, accrued or received prior to the date on which the Global Offering becomes unconditional (the “**Effective Date**”), save in the following circumstances:

- (a) to the extent that provision or reserve has been made for such taxation in the combined audited accounts of our Group or the audited accounts of the relevant member of our Group up to 31 August 2017; or
- (b) to the extent that such taxation or liability would not have arisen but for some act or omission of or transaction entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) otherwise than in the course of normal day to day operations of that company or carried out, made or entered into pursuant to a legally binding commitment created on or before the Effective Date on which the conditions of the Global Offering are fulfilled or where applicable waived;
- (c) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 August 2017 which is finally established to be an over-provision or an excessive reserve; or
- (d) to the extent that such taxation arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the laws, rules or negotiations or the interpretation or practice thereof by the Inland Revenue Department in Hong Kong or any other relevant authority coming into force after the Effective Date or to the extent that such taxation arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect.

Under the Deed of Indemnity, our Controlling Shareholders also agreed and undertook to indemnify and keep the member of our Group indemnified against all actions, claims, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered by or incurred by any member of our Group (i) as a result of directly or indirectly or in connection with, or in consequence of any non-compliance with or breach of any applicable laws, rules or regulations in any jurisdiction by any member of our Group on or before the Effective Date; and (ii) as a result of directly or indirectly or in connection with any litigation, proceeding, claim, investigation, inquiry, enforcement proceeding or process by any governmental, administrative or regulatory body which (a) the members of our

Group, their respective directors and/or authorised representatives or any of them is/are involved; and/or (b) arises due to some act or omission of, or transaction voluntarily effected by, the members of our Group or any of them (whether alone or in conjunction with some other act, omission or transaction) on or before the Effective Date.

5.2 Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the Cayman Islands or the BVI or Hong Kong, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

5.3 Litigation

As of the Latest Practicable Date, save as disclosed in the section headed “Business – Regulatory Compliance and Legal Proceedings” in this Prospectus, neither the Company nor any member of our Group was involved in any material litigation, arbitration or administrative proceedings. So far as we are aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

5.4 Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and any Shares which may be issued upon the exercise of the Over-allotment Option. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Sole Sponsor has declared their independence pursuant to Rule 3A.07 of the Listing Rules.

The Company has agreed to pay the Sole Sponsor a fee of HK\$5,000,000 (excluding any disbursements) to act as the sole sponsor to the Company in relation to the Global Offering.

5.5 Preliminary Expenses

Our preliminary expenses are approximately HK\$70,000. All preliminary expenses and all expenses relating to the Global Offering will be borne by the Company.

5.6 Qualification of Experts

The qualifications of the experts who have given opinions in this Prospectus are as follows:

Name	Qualification
Innovax Capital Limited	a licensed corporation under the SFO permitted to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
Mazars CPA Limited	Certified Public Accountants, Hong Kong
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jingtian & Gongcheng	Legal advisers to our Company as to PRC law
Frost & Sullivan International Limited	Independent industry consultant
Roma Appraisals Limited	Property valuer
Mr. Julian Yeung	Barrister-at-law
RSM Tax Advisory (Hong Kong) Limited	Tax advisors to the Company with respect to transfer pricing arrangement of the Group

5.7 Consents of Experts

Each of the experts as referred to in the paragraph headed “Qualification of Experts” in this Appendix has given, and has not withdrawn, their respective written consents to the issue of this Prospectus with the inclusion of their reports and/or letters and/or opinions and/or valuation certificates and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of the Company or the right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Company or any of our subsidiaries.

5.8 No Material Adverse Change

Save as disclosed in “Summary – Recent Development” and “Financial Information – Recent Development”, our Directors confirm that there has been no material adverse change in our financial or trading position since 31 August 2017 (being the date to which the latest audited financial information of the Group were made up to).

5.9 Binding Effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance insofar as applicable.

5.10 Promoter

- (a) Our Company has no promoter for the purpose of the Listing Rules and Companies (WUMP) Ordinance.
- (b) Within the two years immediately preceding the date of this Prospectus, no cash, securities or other benefits have been paid, allotted or given nor are any proposed cash, securities or other benefits to be paid, allotted or given to any promoters.

5.11 Agency fees or commission received

No commissions, discounts, brokerages or other special terms were granted within the two years immediately preceding the date of this Prospectus in connection with the issue or sale of any capital of any member of our Group.

5.12 Miscellaneous

- (a) Within the two years immediately preceding the date of this Prospectus:
 - (i) save as disclosed in “History, Reorganisation and Corporate Structure”, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of the Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) neither our Company nor any of our subsidiaries has issued or agreed to issue any founder shares, management shares or deferred shares or ant dentures;
 - (iv) the Company has no outstanding convertible debt securities;
 - (v) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;
 - (vi) no commission has been paid or is payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares;

- (vii) there is no arrangement under which future dividends are waived or agreed to be waived; and
 - (viii) none of the equity and debt securities of the Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (b) Our principal register of members will be maintained by our principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Hong Kong branch register of members will be maintained by our Hong Kong Share Registrar in Hong Kong, Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.
- (c) 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 12 months immediately preceding the date of this Prospectus.
- (d) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (e) Our Directors have been advised that, under the Companies Law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene the Companies Law.
- (f) There has been no interruption in our business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this Prospectus.

5.13 Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, the written consents referred to in the sub-paragraph headed “Consents of Experts” under the paragraph headed “Other Information” of Appendix VI to this Prospectus, and copies of the material contracts referred to in the sub-paragraph headed “Summary of Material Contracts” under the paragraph headed “Further Information about our Business” of Appendix VI to this Prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Troutman Sanders at 34/F, Two Exchange Square, 8 Connaught Place, 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 prepared by Mazars CPA Limited, the text of which is set out in Appendix I to this Prospectus;
- (c) the audited combined financial statements of our Group for each of the three financial years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2017;
- (d) the report on the unaudited pro forma financial information of our Group from Mazars CPA Limited, the text of which is set out in Appendix II to this Prospectus;
- (e) the letters from Mazars CPA Limited and Innovax Capital Limited relating to the Group’s profit estimate for the year ended 31 December 2017, the text of which is set out in Appendix III to this Prospectus;
- (f) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix V to this Prospectus;
- (g) the PRC legal opinion issued by Jingtian & Gongcheng, our legal advisers as to PRC law;
- (h) the counsel opinion issued by Mr. Julian C.P. Yeung, the Hong Kong Barrister-at-law;
- (i) the report for PRC and Hong Kong corporate tax compliance prepared by RSM Tax Advisory (Hong Kong) Limited, a summary of which is set forth in the section headed “Business – Transfer Pricing Arrangement” in this Prospectus;

**APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

- (j) the material contracts referred to in the sub-paragraph headed “Summary of Material Contracts” under the paragraph headed “Further Information about our Business” in Appendix VI to this Prospectus;
- (k) the written consents referred to in the sub-paragraph headed “Consents of Experts” under the paragraph headed “Other Information” in Appendix VI to this Prospectus;
- (l) the service contracts and the letters of appointment referred to in the paragraph headed “Particulars of Service Contracts” in Appendix VI to this Prospectus;
- (m) the Companies Law;
- (n) the report prepared by Frost & Sullivan, International Limited, a summary of which is set forth in the section headed “Industry Overview” in this Prospectus; and
- (o) the property valuation report prepared by Roma Appraisals Limited, a summary of which is set forth in “Appendix IV – Property Valuation Report” to this Prospectus.

TIAN CHANG GROUP HOLDINGS LTD.
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