通達宏泰
TONGDA HONG TAI

TONGDA HONG TAI HOLDINGS LIMITED
通達宏泰控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2363)

SHARE OFFER

Sponsor

MESSIS 大有融資

Sole Bookrunner

Sinomax Securities Ltd.
佳富達證券

Joint Lead Managers

Sinomax Securities Ltd.
佳富達證券

國金證券(香港)有限公司
SINOLINK SECURITIES (HK) CO. LTD.

RHB
RHB Securities Hong Kong Limited

長證國際
CJS INTERNATIONAL

IMPORTANT

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

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SHARE OFFER

Number of Offer Shares	**:**	**37,822,500 Shares**
Number of Public Offer Shares	**:**	**3,782,500 Shares (subject to re-allocation)**
Number of Placing Shares	**:**	**34,040,000 Shares (subject to re-allocation)**
Offer Price	**:**	**HK$2.30 per Offer Share (payable in full on application and subject to refund, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)**
Nominal Value	**:**	**HK$0.01 per Share**
Stock Code	**:**	**2363**

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Sinomax Securities Ltd. 佳富達證券 | 國金證券(香港)有限公司 SINOLINK SECURITIES (HK) CO. LTD. | RHB Securities Hong Kong Limited | 長證國際 CJS INTERNATIONAL

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

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

Pursuant to the termination provisions contained in the Underwriting Agreements in respect of the Share Offer, the Sole Bookrunner has the right in certain circumstances, subject to its sole and absolute opinion, to terminate the obligations of the Underwriters under the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (such date is currently expected to be on Friday, 16 March 2018). Further details of the terms of the termination provisions are set out in the section headed "Underwriting" in this prospectus.

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" in this prospectus.

28 February 2018

The Company will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.tongdahongtai.com** if there is any change in the following expected timetable of the Share Offer and the Tongda Distribution.

	2018 *(Note 1)*
Application lists of the Public Offer open *(Note 2)*	11:45 a.m. on Monday, 5 March
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC *(Note 3)*	12:00 noon on Monday, 5 March
Application lists of the Public Offer close *(Note 2)*	12:00 noon on Monday, 5 March
Announcement of the level of applications in the Public Offer, the level of indication of interest in the Placing, and the basis of allocation of the Public Offer Shares to be published on the website of the Stock Exchange at **www.hkexnews.hk** and the website of the Company at **www.tongdahongtai.com** on or before *(Note 4)*	Thursday, 15 March
Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to apply for the Public Offer Shares — 10. Publication of results" in this prospectus from	Thursday, 15 March
Results of allocations in the Public Offer will be available at **www.unioniporesults.com.hk** with a "search by ID" function from	Thursday, 15 March
Despatch/collection of share certificates in respect of wholly or partially successful applications pursuant to the Public Offer and to Qualifying Tongda Shareholders who are entitled to receive Shares under the Tongda Distribution on or before *(Notes 6 to 9)*	Thursday, 15 March
Despatch/collection of refund cheques in respect of wholly or partially unsuccessful applications pursuant to the Public Offer on or before *(Notes 5, 7 and 8)*	Thursday, 15 March
Dealings in Shares on the Main Board expected to commence at	9:00 a.m. on Friday, 16 March

Notes:

1. All times and dates refer to Hong Kong local time and date. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" in this prospectus.

2. If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight (8) or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 5 March 2018, the application lists will not open and close on that day. Further information is set out in the section headed "How to apply for the Public Offer Shares — 9. Effect of bad weather on the opening of the application lists" in this prospectus. If the application lists do not open and close on Monday, 5 March 2018, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

3. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to apply for the Public Offer Shares — 5. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.

4. None of the websites or any of the information contained in the websites form part of this prospectus.

5. Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer. 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 purposes. 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 delay in encashment of, or may invalidate, the refund cheque.

6. Applicants being individuals who have applied with **WHITE** Application Forms for 1,000,000 Public Offer Shares or more, and have provided all information required by their Application Forms, they may collect their refund cheques and/or share certificates (where applicable) in person from the Hong Kong Branch Share Registrar, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 15 March 2018. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations' chop. Both individuals and authorised representatives must produce at the time of collection, identification and (where applicable) authorisation documents acceptable to the Hong Kong Branch Share Registrar.

7. Applicants who have applied with **YELLOW** Application Forms for 1,000,000 Public Offer Shares or more under the Public Offer may collect their refund cheque(s), where applicable, in person but may not elect to collect their share certificate(s), which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheque(s) for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants specified in note 6 above.

8. Uncollected share certificate(s) and refund cheque(s) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms. Further details are set out in the section headed "How to apply for the Public Offer Shares — 13. Despatch/collection of share certificates and refund monies" in this prospectus.

   Share certificates are expected to be despatched to Qualifying Tongda Shareholders on Thursday, 15 March 2018. One Share certificate will be issued to each Qualifying Tongda Shareholder for the entitlement to the Shares and each Shareholder for the entitlement to the Offer Shares, save for the share certificates to be issued to HKSCC Nominees, which may be in such denominations as requested by HKSCC Nominees.

9. Share certificates for the Offer Shares will become valid certificates of title at 8:00 a.m. (Hong Kong time) on Friday, 16 March 2018 provided that (i) the Spin-off and the Listing has become unconditional in all respects; and (ii) the Underwriting Agreements have not been terminated in accordance with their respective terms. If the Spin-off and the Listing does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Share Offer will not proceed and the Tongda Distribution will not be made. In such case, the Company will make an announcement as soon as practicable thereafter.

For details of the structure of the Share Offer, including the conditions thereof, please refer to the section headed "Structure and conditions of the Share Offer" in this prospectus.

A printed copy of this prospectus has been despatched to each Qualifying Tongda Shareholder at the address of such Qualifying Tongda Shareholder recorded on the register of members of Tongda on the Record Date.

If a Non-registered Holder (i.e. a holder whose shares are held in CCASS and who has notified Tongda from time to time through HKSCC that he/she/it wishes to receive Tongda's corporate communications) has chosen to receive the corporate communications in printed form, the printed copy of this prospectus will be despatched to them by ordinary post on the date of this prospectus. For those Non-registered Holders who have elected or are deemed to have consented to access the corporate communications by electronic means through Tongda's website ("**electronic version**"), a printed notification letter of the publication of this prospectus together with a request form will be despatched to the Non-registered Holders by ordinary post on the date of this prospectus.

Please note that this prospectus, insofar as the Tongda Distribution is concerned, is solely for the purpose of giving information to the Qualifying Tongda Shareholders and the Non-registered Holders.

An electronic version of this prospectus which is identical to the printed prospectus can be accessed and downloaded from the websites of the Company at **www.tongdahongtai.com** and the Stock Exchange at **www.hkexnews.hk** by searching under the section headed "Listed Company Information". A Non-registered Holder who has elected to receive or is deemed to have consented to receiving the electronic version of this prospectus may at any time request for a printed copy of this prospectus, free of charge, by sending a request in writing to Union Registrars Limited or by email to Union Registrars Limited at **698@unionregistrars.com.hk**. Union Registrars Limited will promptly, upon request, send by ordinary post a printed copy of this prospectus to such Non-registered Holder, free of charge, although such Non-registered Holder may not be able to receive that printed copy of this prospectus before the close of the application lists of the Public Offer.

Distribution of this prospectus in any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this prospectus come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

IMPORTANT NOTICE TO INVESTORS

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

The Company has not authorised anyone to provide you with information or representation that is different from what is contained in this prospectus.

Any information or representation not made nor contained in this prospectus and the Application Forms must not be relied on by you as having been authorised by the Company, the Sponsor, the Sole Bookrunner, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Share Offer.

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

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 making any decision to invest in the Offer Shares. Various expressions used in this summary are defined in the section headed "Definitions" in this prospectus.

OVERVIEW

The Group, founded in Changshu, the PRC in 2010, is a "one-stop" manufacturing solution provider of casings of notebook, tablet and other accessories. The Group manufactures and sells different casings and components of notebook and tablet. The sales of notebook and tablet casings contributed approximately 99.0%, 98.7%, 98.5% and 98.0% to the Group's revenue for each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively. The Listing constitutes a spin-off of the Group from Tongda.

The Group is based in the PRC and operates a leased Changshu Factory in the PRC.

The Group's products are semi-finished components of notebooks and tablets which would be delivered to the customers' production plants in the PRC for further assembly processing before selling to end users. The Group's customers are mainly OEMs of leading domestic and international brand owners. The PRC is the largest market for the Group's products contributing approximately 97.9%, 93.7%, 98.5% and 99.3% of the Group's revenue for each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively. The remainder of the Group's revenue were recognised as income derived from the customers in Taiwan and other countries. For further details of the Group's customers, please refer to the section headed "Business — Customers" in this prospectus.

The Group faces challenges in relation to working capital and cash flow since the Group recorded increasing net cash flow used in operating activities during the Track Record Period which imposed pressure on the Group's liquidity. For further details of the Group's cash flow position, please refer to the section headed "Financial information — Liquidity and capital resources — Cash flows" in this prospectus.

The Directors believe that the Group's expertise and experience in the design of manufacture solutions, mould fabrication, plastic injection moulding, surface decoration, metal tooling and stamping, and assembly of notebook and tablet casings enable the Group to offer its customers "one-stop" manufacturing solutions by integrating lengthy and complex production processes vertically to lower production cost and to enhance efficiency and mass production capacity. Such business model provides the Group with a competitive edge in the manufacturing of casings for notebook and tablet.

The Group's customers provide the product design blueprint and specification to the Group while the Group recommends and provides practical, innovative and customised solutions to its customers with a view to helping them minimise costs and improve the functionality and quality of their products on a continuous basis. After confirming a design with its customer and receiving a purchase order from such customer, the Group will manufacture the products at its production facilities. Some of the manufacturing procedures may be outsourced to third-party subcontractors if the Group does not possess the necessary equipment or the Group's production capacity has been optimised.

The table below sets out the breakdown of the Group's revenue, sales volume and average selling price by product type during the three years ended 31 December 2016:

	Year ended 31 December								
	2014			2015			2016		
	Revenue HK$'000	*Units sold '000*	*Avg. selling price HK$ per unit*	*Revenue HK$'000*	*Units sold '000*	*Avg. selling price HK$ per unit*	*Revenue HK$'000*	*Units sold '000*	*Avg. selling price HK$ per unit*
Notebook casings	245,459	17,306	14.2	406,386	20,392	19.9	448,136	28,112	15.9
Tablet casings	127,248	6,401	19.9	10,684	697	15.3	8,660	874	9.9
Others	3,587	411	8.7	5,595	1,993	2.8	7,141	3,297	2.2
Total	**376,294**	**24,118**	**15.6**	**422,665**	**23,082**	**18.3**	**463,937**	**32,283**	**14.4**

The table below sets out the breakdown of the Group's revenue, sales volume and average selling price by product type during the eight months ended 31 August 2016 and 2017:

	Eight months ended 31 August					
	2016			2017		
	Revenue HK$'000	*Units sold '000*	*Avg. selling price HK$ per unit*	*Revenue HK$'000*	*Units sold '000*	*Avg. selling price HK$ per unit*
Notebook casings	247,052	14,960	16.5	337,641	21,814	15.5
Tablet casings	4,808	485	9.9	6,831	394	17.3
Others	5,946	2,852	2.1	7,045	669	10.5
Total	**257,806**	**18,297**	**14.1**	**351,517**	**22,877**	**15.4**

The sales of (i) notebook casings contributed approximately 65.2%, 96.2%, 96.6% and 96.1%; and (ii) tablet casings contributed approximately 33.8%, 2.5%, 1.9% and 1.9% of the Group's total revenue for each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively. The revenue of the Group was mainly contributed by sales of notebook casings during the Track Record Period. Given that the Group possesses various type of decoration techniques which can be applied to both notebook and tablet casings, it is generally the Group's business strategy to take up production requests which generate an overall higher profit to the Group while the Group would give less concern to the product type. During the Track Record Period, the demand and size of production orders of notebook casings were relatively larger which could better utilise the production capacity of the Group. Accordingly, revenue contribution from notebook casings prevailed during the Track Record Period. This business strategy will continue after Listing which may lead to possible change in product mix arising from change in demand from customers from time to time.

The Group's cost of operations and production of notebook and tablet casings mainly include, among others, (i) cost of materials such as resin, accessories and components mainly purchased from third party suppliers; (ii) direct labour costs to workers at the Changshu Factory; (iii) subcontracting fee paid for outsourced manufacturing process and other production overheads; (iv) selling and distribution expenses for the delivery of the Group's products; and (v) general and administrative expenses such as staff cost and benefits, research and development costs and rental expenses.

The Group's revenue has historically been affected by seasonality and its products have generally been in higher demand during the second half of each calendar year due to seasonal purchase patterns of the Group's customers.

The average selling price per unit increased from HK$15.6 for the year ended 31 December 2014 to approximately HK$18.3 for the year ended 31 December 2015 because of the shift of product mix to notebook casing products with higher selling prices. The average selling price per unit decreased to approximately HK$14.4 for the year ended 31 December 2016 was due to the general decrease in average selling prices of the Group's products where (i) decreased average selling prices of notebook casings and other casings as there were larger quantities of small components ordered by customers which were generally sold at lower average prices; and (ii) decreased average selling prices of tablet casings as there were decreased demand from customers for tablet casings which required decorative techniques and were generally sold at higher average prices. The average selling price per unit slightly increased from approximately HK$14.1 for the eight months ended 31 August 2016 to approximately HK$15.4 for the eight months ended 31 August 2017 which was mainly due to the higher average unit prices of certain new tablet casing and other casing projects undertaken by the Group during the period.

During each of the three years ended 31 December 2016, the Group recorded gross profit margin of approximately 22.1%, 21.0% and 22.3%, respectively. The Group recorded gross profit margin of approximately 19.2% and 19.4% for the eight months ended 31 August 2016 and 2017, respectively. The Group's overall gross profit margin is generally subject to the product specifications demanded by the Group's customers based on the types of decoration techniques adopted and the complexity of the production process. Accordingly, a higher proportion of products sold by the Group that required a mixture of decoration techniques would generally result in a higher overall gross profit margin for the Group.

For further analysis of the Group's profit margin over the Track Record Period, please refer to the section headed "Financial information — Principal components of results of operations — Gross profit and gross profit margin" in this prospectus.

The table below sets out the information on the estimated maximum capacity, actual production volume and utilisation rate of the Group's production facility during the Track Record Period:

	Year ended 31 December			Eight months ended 31 August
	2014	**2015**	**2016**	**2017**
Estimated maximum capacity *('000 units) (Note 1)*	11,726	14,638	19,000	12,462
Approximate actual production volume *('000 units) (Note 2)*	9,968	9,857	14,305	10,994
Approximate utilisation rate *(%) (Note 3)*	85.0	67.3	75.3	88.2

Notes:

1. The estimated maximum capacity represents the estimated number of units of key components of notebook and tablet casings produced by the Group's key production facilities, mainly include certain types of plastic injection moulding machines. The maximum capacity is estimated based on the assumption that the Group's key production facilities operate for 286 and 193 days for the three years ended 31 December 2016 and the eight months ended 31 August 2017 respectively and 20 hours per day taking into account public holidays and rest time of the Group's employees.

2. The actual production volume represents the number of key components of notebook and tablet casings produced during the Track Record Period.

3. The utilisation rate is calculated as the approximate actual production volume for the year/period divided by the estimated maximum capacity.

TONGDA DISTRIBUTION AND THE SPIN-OFF

In accordance with the requirements of Practice Note 15 of the Listing Rules, Tongda will give due regard to the interests of its shareholders by providing Qualifying Tongda Shareholders with an assured entitlement to the Shares by way of a distribution in specie of the Shares if the Spin-off proceeds. On 14 February 2018, Tongda declared the Tongda Distribution to the Qualifying Tongda Shareholders, being registered holders of issued Tongda Shares whose names appear on the register of members of Tongda at the close of business on the Record Date. The Tongda Distribution will be satisfied by way of a distribution to the Qualifying Tongda Shareholders an aggregate of 151,293,138 Shares, representing approximately 80.0% of the enlarged issued share capital of the Company immediately after completion of the Spin-off, in proportion to their shareholdings in Tongda at the close of business on the Record Date. Pursuant to the Tongda Distribution, the Qualifying Tongda Shareholders will be entitled to one Share for every 40 Tongda Shares held at the close of business on the Record Date. Fractions of the Shares will not be allotted to the Qualifying Tongda Shareholders under the Tongda Distribution. For the Qualifying Tongda Shareholders with fractional entitlement to the Shares under the Tongda Distribution, their entitlements will be rounded down to the nearest whole number of the Share. The fractional entitlements of the Qualifying Tongda Shareholders will be aggregated and sold by Tongda on the market at the price equivalent to the closing price for each Share on the date of Listing. The proceeds of sale (net of expenses and taxes) will be retained for the benefit of Tongda.

The Tongda Distribution is conditional upon (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer and any Shares, up to 10% of the Shares in issue on the Listing Date, to be issued upon the exercise of any options which may be granted under the Share Option Scheme, on the Main Board; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional or waived and the Underwriting Agreements not being terminated in accordance with their terms or otherwise. If such conditions are not satisfied, the Tongda Distribution will not be made and the Spin-off will not take place.

Please refer to the section headed "The Tongda Distribution and the Spin-off" in this prospectus for further information.

CUSTOMERS, SUPPLIERS AND INVENTORIES

The Group's top five customers accounted for approximately 94.8%, 94.5%, 88.7% and 94.3% of the total revenue during the Track Record Period respectively. The Group did not enter into any long-term agreement with its top five customers during the Track Record Period. The Group recognises that maintaining stable and long-term relationship with the Group's major customers while broadening the customer base is the key to achieve sustainable long-term growth of the Group's business. With a view to sustain a growth momentum and increase market share in the notebook and tablet casings industry, the Group managed to solicit new customers and diversify customer base while improving its technical skills and enhancing production capacity to satisfy increasing demand from existing customers. Details about the Group's relationship with its major customers are set out under the section headed "Business — Customers" in this prospectus.

The Group's top five suppliers accounted for approximately 27.9%, 24.2%, 18.5% and 28.6% of the Group's total purchases during the Track Record Period respectively. Details of the Group's suppliers are set out in the section headed "Business — Suppliers, materials and inventory" in this prospectus.

During the Track Record Period, the Group (i) recorded inventory balance of approximately HK$173.3 million, HK$235.4 million, HK$269.7 million and HK$311.2 million; and (ii) had inventory turnover days of approximately 127.7 days, 176.5 days, 199.3 days and 198.3 days, respectively. There was an increasing trend in the inventory balance and inventory turnover days during the Track Record Period, which was mainly attributable to (i) the Group's general business growth with increased sales orders and production requests from customers; and/or (ii) the piling up of inventory arising from the specific production request of notebook casings project under Brand J and Brand B since last quarter of 2016 and first quarter of 2017 respectively. For details, please refer to the section headed "Financial information — Inventories analysis" in this prospectus.

COMPETITIVE LANDSCAPE

In the PRC, the notebook and tablet casing manufacturing industry is at its mature stage and there are numerous notebook and tablet casing manufacturers. The market is highly fragmented since the majority of market players are white-label manufacturers (i.e. privately owned by small to medium enterprises) but market consolidation is anticipated in the years to come. According to the CRI Report, the Group accounted for approximately 2.8% of market share in terms of global notebook casings shipment volume and approximately 0.1% of market share in terms of global tablet casings shipment volume in first half of 2017. According to the CRI Report, the demand for notebook and tablet is expected to decrease along with the expected slight decrease in global shipment volume of notebooks and tablets from 2017 onwards.

For further information regarding the competitive landscape, entry barriers and major challenges of the industry in which the Group operates, please refer to the section headed "Industry overview" in this prospectus.

COMPETITIVE STRENGTHS

The Directors believe that the success of the Group is attributable to, among other things, the following competitive strengths: (i) comprehensive "one-stop" manufacturing solution for notebook and tablet casings; (ii) efficient production facilities, diversified product portfolio and valuable experience in the manufacture of notebook and tablet casings; (iii) strong research and development capabilities; (iv) stringent quality control in the production process; (v) established relationship with OEMs of leading domestic and international brand owners; (vi) strategic locations of the production facilities and cost advantage; and (vii) the Group's management team possesses extensive experience and technical know-how. Please refer to the section headed "Business — Competitive strengths" in this prospectus for further details on the Group's competitive strengths.

KEY OPERATIONAL AND FINANCIAL DATA

The following tables set forth the Group's key operational and financial data during the Track Record Period:

Results of operations

	For the 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	376,294	422,665	463,937	257,806	351,517
Gross profit	83,218	88,555	103,245	49,381	68,172
Profit before tax	35,497	35,931	31,490	929	17,039
Profit/(loss) for the year/period	26,032	25,709	24,104	(1,726)	13,010

Gross profit and profit margin by product categories

	Year ended 31 December						Eight months ended 31 August			
	2014		2015		2016		2016		2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Notebook casings	53,286	21.7	85,393	21.0	100,057	22.3	47,467	19.2	65,863	19.5
Tablet casings	29,286	23.0	2,085	19.5	2,008	23.2	1,044	21.7	985	14.4
Others	646	18.0	1,077	19.2	1,180	16.5	870	14.6	1,324	18.8
Total	**83,218**	**22.1**	**88,555**	**21.0**	**103,245**	**22.3**	**49,381**	**19.2**	**68,172**	**19.4**

Financial position

	As at 31 December			As at 31 August
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current assets	357,579	421,960	528,515	547,376
Cash and bank balances	20,813	41,136	31,349	13,795
Current liabilities	404,241	380,090	398,187	406,532
Net current (liabilities)/assets	(46,662)	41,870	130,328	140,844
Non-current assets	131,957	129,897	111,623	111,781
Total equity	85,295	171,767	241,951	252,625

Cash flows

	Year ended 31 December			Eight months ended 31 August	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net cash flows used in operating activities	(23,390)	(60,420)	(152,919)	(155,891)	(39,280)
Net cash flows used in investing activities	(23,404)	(21,922)	(8,759)	(6,583)	(15,354)
Net cash flows from financing activities	59,962	104,517	154,553	139,216	37,483
Net increase/(decrease) in cash and bank balances	13,168	22,175	(7,125)	(23,258)	(17,151)

Key financial ratios

	Year ended or as at 31 December			Eight months ended or as at 31 August	
	2014	2015	2016	2016	2017
Return on total assets	5.3%	4.7%	3.8%	Net loss	2.0%
Return on equity	30.5%	15.0%	10.0%	Net loss	5.1%
Current ratio	0.9	1.1	1.3	1.3	1.3
Quick Ratio	0.5	0.5	0.6	0.5	0.6
Gearing ratio *(Note)*	70.3%	56.9%	79.7%	82.0%	90.5%
Net profit margin	6.9%	6.1%	5.2%	Net loss	3.7%

Note: Gearing ratio is calculated based on total loans and borrowings divided by total equity at the end of the year/period.

The Group was in net current liabilities position as at 31 December 2014, primarily due to the large balances due to the Remaining Group, which represented advances that were repayable on demand from the Remaining Group to finance the continued growth of its manufacturing business which were of non-trade nature. As such, these balances were classified under operating activities and the repayment to Remaining Group was classified as cash used in operating activities. The significant reliance of the Group on financing from the Remaining Group during the Track Record Period was mainly a combined result of (i) the continuous business expansion of the Group; and (ii) lengthened inventory turnover days, which straitened the Group's liquidity and working capital. Upon completion of the Spin-off and the Listing, the Group will finance its business expansion and liquidity requirement through a combination of proceeds from the Listing, internally generated cash flows and bank borrowings.

During the Track Record Period, the Group recorded increasing net cash flow used in operating activities which was mainly attributable to the operating profits generated by the Group being offset by change in working capital affected by factors including (i) the generally increased amount and lengthened timing of collection of trade and bills receivables from customers due to increase in proportion of sales made to certain major customers with longer credit period; (ii) the generally increased amount and shortened timing of payment of trade payables to suppliers due to the incentive of discount benefited from early settlement; and (iii) slower movement of inventories due to the increase in size of sales orders received from customers and the piling up of inventory arising from the specific production request of notebook casings project under Brand J and Brand B since last quarter of 2016 and first quarter of 2017 respectively. Upon Listing, the Group intends to finance its business operations by cash generated from its operations, trade credit from its suppliers, bank and other borrowings and proceeds from the Share Offer. Details of the Group's cash flow position are set out in the section headed "Financial information — Liquidity and capital resources — Cash flows" in this prospectus. Please also refer to the section headed "Risk factors — Risk relating to the Group's business — The Group recorded negative cash flows from its operating activities for each of the three years ended 31 December 2016 and the eight months ended 31 August 2017 which indicated an exposure to risk on working capital and liquidity arising from the Group's lengthened inventory turnover days and widened difference between account receivable days and account payable days" in this prospectus for the relevant risk factor. Going forward, the Group expects to have negative cash flow from operating activities after the Listing as a result of continuing expansion of its business size.

ACCUMULATED LOSSES/RETAINED PROFITS

The following table sets forth the accumulated losses/retained profits as at 1 January 2014 and the respective year/period during the Track Record Period:

	As at				As at
	1 January 2014	31 December 2014	31 December 2015	31 December 2016	31 August 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
(Accumulated losses)/ retained profits	(26,900)	(3,764)	18,702	39,543	52,553

Tongda Suzhou was incorporated in March 2010 and underwent a loss making period at its start-up stage during which the Group was in the process of building up its customer base and refining its operation workflow. Since the Group has not solicited enough sales to cover its operating costs, it recorded accumulated losses at the start-up stage. As advised by the Directors, the Group has adhered to its market positioning as a "one-stop" manufacturing solution provider of casing of notebook, tablet and other accessories and gradually established its presence in the notebook and tablet casing market. The Group has put its business on track and started to record profits since the financial year ended 31 December 2012. The Group has improved its accumulated losses position thereafter and throughout the Track Record Period, achieving a consistent business growth by leveraging the competitive strengths as set out in the section headed "Business — Competitive strengths" in this prospectus. The Group has not declared or paid any dividends since its establishment and up to the Latest Practicable Date.

SHAREHOLDING OF THE COMPANY AND THE RELATIONSHIP AMONG THE CONTROLLING SHAREHOLDERS

Under the Listing Rules, a controlling shareholder is defined as any person who is or group of persons who are together entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of the issuer or who is or are in a position to control the composition of a majority of the board of directors of the issuer.

Immediately following completion of the Tongda Distribution and the Share Offer (taking no account of any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), the Company will be owned as to approximately 31.96% by the Controlling Shareholders (as to approximately 5.10%, 1.21%, 1.58%, 1.28%, 18.88% and 3.91% by Mr. Wang Ya Nan, Mr. Wang Ya Hua, Mr. Wong Ah Yeung, Mr. Wong Ah Yu, Landmark Worldwide Holdings Limited and E-Growth Resources Limited respectively) who are together entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of the Company.

Landmark Worldwide Holdings Limited, being the single largest shareholder of the Company and a Substantial Shareholder, is beneficially owned as to 25% by Mr. Wong Ah Yeung, 25% by Mr. Wong Ah Yu, 25% by Mr. Wang Ya Hua and 25% by Mr. Wang Ya Nan. On the basis that Mr. Wong Ah Yeung, Mr. Wong Ah Yu, Mr. Wang Ya Hua and Mr. Wang Ya Nan have decided to restrict their ability to exercise direct control over the Company by holding their interests through a common investment holding company, namely Landmark Worldwide Holdings Limited, it is presumed that Mr. Wong Ah Yeung, Mr. Wong Ah Yu, Mr. Wang Ya Hua and Mr. Wang Ya Nan to be a group of Controlling Shareholders. For details of the relationship among the Controlling Shareholders, please refer to the section headed "Controlling Shareholders and Substantial Shareholders" in this prospectus. For details of the background of the Shareholders, please refer to the sections headed "History, Reorganisation and corporate structure — Shareholding structure", "Directors and senior management" and "Relationship with the Tongda Group and connected persons" in this prospectus.

NON-INCLUSION OF TONGDA SUBSIDIARIES' SPIN-OFF BUSINESS

Apart from Tongda Suzhou, the operating subsidiary of the Group, Tongda Shishi and Tongda Shenzhen, the operating subsidiaries of Tongda Group (the "**Tongda Subsidiaries**"), were also engaged in the Spin-off Business during the Track Record Period. The financial results of the Tongda Subsidiaries' Spin-off Business were not included in the Company's financial results for the Track Record Period. The reasons for non-inclusion was mainly due to the different business focus and independent operations between the Tongda Subsidiaries and the Group where Tongda Subsidiaries have been principally operating their respective Remaining Businesses and the Spin-off Business is not their core business, which led to the fading out and subsequent discontinuity of the Tongda Subsidiaries' Spin-off Business since April 2016. Set out below are the financial results of the Tongda Subsidiaries' Spin-off Business and the Group during the Track Record Period:

		Year ended 31 December			Eight months ended 31 August
		2014	**2015**	**2016**	**2017**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(i)	**Revenue**				
	Tongda Subsidiaries	265,700	57,676	4,969	–
	The Group	376,294	422,665	463,937	351,517
	Total	**641,994**	**480,341**	**468,906**	**351,517**
(ii)	**Gross profit**				
	Tongda Subsidiaries	65,871	9,541	516	–
	The Group	83,218	88,555	103,245	68,172
	Total	**149,089**	**98,096**	**103,761**	**68,172**

For details, please refer to the section headed "Relationship with the Tongda Group and connected persons — Companies owned by Tongda which were not included into the Group" in this prospectus.

RISK FACTORS

There are certain risks involved in the Group's operations, many of which are beyond the Group's control. The relatively material risks encompass (i) reliance on a few major customers; (ii) the Group has not entered into long-term agreements with customers and there is no assurance that the current relationship between the Group and any customer can be continued in the future; (iii) the Group recorded negative cash flows from its operating activities; (iv) fluctuations in the price of materials may have a material adverse effect on the business, results of operations and financial condition of the Group; and (v) the Group may not be able to maintain its gross profit margin and growth in profit in the future. A detailed discussion of the risk factors that the Directors believe are particularly relevant to the Group is set out in the section headed "Risk factors" in this prospectus.

RECENT DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD

Subsequent to the Track Record Period and up to the Latest Practicable Date, the Group has continued to focus on developing its notebook and tablet manufacturing business. During the eight months ended 31 August 2017, the Group has also explored business opportunities with a new customer in relation to a smart robot casings project which generated revenue of approximately HK$3.2 million during the period.

Save as the Listing expenses, the Group did not have any significant non-recurring items in its consolidated statements of profit or loss and other comprehensive income subsequent to the Track Record Period.

The net current assets of the Group as at 2 January 2018 were approximately HK$159.9 million. The amount due to the Remaining Group as at 2 January 2018 were approximately HK$47.0 million and it will be settled before completion of the Spin-off by capitalisation of HK$45.0 million and repayment of the remaining by bank borrowings.

As at the Latest Practicable Date, approximately 99.8% of the outstanding trade and bills receivables as at 31 August 2017 has been subsequently settled and approximately 90.0% of the outstanding trade payables as at 31 August 2017 has been subsequently settled. Subsequent sales of the finished goods inventory up to the Latest Practicable Date amounted to approximately HK$139.9 million, representing approximately 84.6% of the Group's finished goods inventory as at 31 August 2017. The unsold finished goods are all covered by confirmed orders from the customers, and save for the insignificant portion of approximately 2.9% of the finished goods which were reserved for OEM customers in case additional orders have to be placed for replacement of defected products claimed against the OEM customers by the brand owners, the remaining finished goods are expected to be delivered by around March 2018. For the four months ended 31 December 2017, the Group's sales volume was approximately 12.3 million units.

LISTING EXPENSES

In relation to the Listing, the Company expects to incur Listing expenses in an aggregate amount of approximately HK$38.5 million. Of such amount to be borne by the Company, HK$8.5 million of its estimated Listing expenses is directly attributable to the issue of the Offer Shares and is to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK$30.0 million, which cannot be so deducted, shall be charged to profit or loss of the Group. Approximately HK$0.6 million, HK$12.5 million and HK$11.4 million has been charged for the two years ended 31 December 2015 and 2016 and the eight months ended 31 August 2017, respectively and approximately HK$2.5 million and HK$3.0 million are expected to be incurred for the four months ended 31 December 2017 and the year ending 31 December 2018, respectively.

The Directors would like to emphasise that the Listing expenses stated above are the current estimation for reference purpose and the actual amount to be recognised is subject to adjustments based on audit and the then changes in variables and assumptions. The Directors consider that such Listing expenses would, to certain extent, affect the Group's results of operations for the year ended 31 December 2017 and the year ending 31 December 2018, respectively.

FUTURE PLANS AND USE OF PROCEEDS FROM THE SHARE OFFER

The Directors estimate that the aggregate net proceeds to be received by the Group from the Share Offer (after deducting underwriting fees and estimated expenses payable by the Group in connection with the Share Offer) will be approximately HK$48.5 million. The Group intends to apply the net proceeds of approximately HK$48.5 million (calculated based on the Offer Price of HK$2.30 per Share) in the following manner:

- approximately HK$7.3 million or approximately 15.1% of the net proceeds for leasing a new factory for a term of ten years for the Group's expansion of its notebook and tablet casings manufacturing business;
- approximately HK$9.6 million or approximately 19.9% of the net proceeds to refurbish the new factory as mentioned above;
- approximately HK$22.4 million or approximately 46.2% of the net proceeds for capital expenditure for additional production facilities and machineries;
- approximately HK$7.8 million or approximately 16.1% of the net proceeds for capital expenditure on enhancing the automation in the Group's manufacturing process;

- approximately HK$0.2 million or approximately 0.3% of the net proceeds for additional efforts in sales and marketing activities; and
- approximately HK$1.2 million or approximately 2.4% of the net proceeds for supporting the enhancement of research and development capabilities of the Group.

To the extent that the net proceeds of the Share Offer are not immediately applied for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short-term deposits with financial institutions. Please refer to the sections headed "Business — Business strategies" and "Future plans and use of proceeds from the Share Offer" in this prospectus for details.

BUSINESS STRATEGIES AND REASONS FOR THE SPIN-OFF AND THE LISTING

The Directors and the directors of Tongda are of the view that the development paths and associated investment risks of the Group and the Tongda Group have diverged where the Group is expected to follow a stable and steady growth within a mature notebook and tablet casing market while the Tongda Group is expected to follow a rapid and dynamic growth within a rigorous handset casing market. The Spin-off and the Listing will (i) enable investors to appraise and assess the potential and the performance of the Group separately from the Remaining Businesses in order to make informed investment decisions based on their risk appetite and assessment of the respective business strategies and prospects; and (ii) provide flexibility for investors to choose between notebook and tablet casing business and handset casing business.

The Group intends to strengthen its market position by way of (i) enhancing the Group's production capacity in notebook and tablet casings; (ii) upgrading the level of skillset in the production process; and (iii) enhancing the customer base.

The Board considers that the Spin-off and the Listing are in the interests of the Tongda Group and the Group for the following reasons: (i) the Company and Tongda Group have different growth paths and different business strategies. The Spin-off and the Listing will provide the Group with a separate platform to raise future funds from the capital markets to grow with more focused development; (ii) dedicated management can focus on separate ventures to enhance its efficiency and decision-making processes; (iii) the Spin-off and the Listing enable the Group to establish its own investor base which is seeking investment in the relatively stable and steady notebook and tablet casings industry and capitalising opportunities in the gaming notebooks segment which has emerged as a standalone industry in recent years; (iv) the proceeds of the Listing is sufficient for the Group to kick start its business strategies to capture market shares by pursuing the expansion plan; and (v) the Spin-off and separate Listing are expected to enhance the value of the Group. For details, please refer to the section headed "The Tongda Distribution and the Spin-off — Reasons for and benefits of the Spin-off and the Listing" in this prospectus.

The Controlling Shareholders and the Board are committed to the long term business development of the Group. In order to implement the expansion plan with an aim to enlarge market share and maintain competitiveness of the Group within the industry, the Group intends to apply part of the net proceeds to lease a new factory for a term of ten years for expansion of its production capacity. In order to ensure that such expansion plan will materialise and to demonstrate a long-term commitment by the Controlling Shareholders to the Group, the Controlling Shareholders, have jointly, severally and voluntarily agreed and undertaken with the Company that, except pursuant to the Spin-off or waiver granted by the independent non-executive Directors, they will not, and will procure that none of their relevant registered holder(s) and associates will: (a) at any time during the First Lock-up Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of the Company in respect of which the Controlling Shareholders have beneficial interest; and (b) at any time during the 30-month Lock-up Period, enter into any of the foregoing transactions in (a) above if, immediately following such transaction, it will cease to be a controlling shareholder of the Company or would together with other Controlling Shareholders cease to be controlling shareholders of the Company. Such 30-month Lock-up Period is beyond the general requirement stated in Rule 10.07 of the Listing Rules. For details of the said voluntary non-disposal undertaking, please refer to the section headed "Relationship with the Tongda Group and connected persons — Non-disposal undertaking to the Company" in this prospectus.

DIVIDENDS

No dividends have been declared by the Company or the subsidiaries now comprising the Group to their then equity owners during the Track Record Period nor has any dividend been proposed after 31 August 2017. The Company currently does not have a fixed dividend policy and may declare dividends by way of cash or by other means that the Directors consider appropriate. A decision to declare any interim dividend or recommend any final dividend would require the approval of the Board and will be at their discretion.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that, up to the date of this prospectus, save as the Listing expenses, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 August 2017 (being the date to which the latest audited consolidated financial statements of the Group were prepared), and there is no event since 31 August 2017 up to the date of this prospectus which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set forth in Appendix IIA to this prospectus to illustrate the effect of the Spin-off on the consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 August 2017 as if the Listing had taken place on 31 August 2017.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2017

Estimated consolidated profit attributable to owners of the Company *(Note 1)*	not less than HK$22.8 million

Notes:

(1) The bases on which the above profit estimate for the year ended 31 December 2017 has been prepared are summarised in Appendix IIB to this prospectus. The Directors have prepared the estimated consolidated profit attributable to owners of the Company for the year ended 31 December 2017 based on (i) the audited consolidated results for the eight months ended 31 August 2017; and (ii) the unaudited consolidated results based on management accounts of the Group for the four months ended 31 December 2017.

(2) The estimated consolidated results of the Company for the year ended 31 December 2017, which has taken into account the expected Listing expenses to be incurred during the year ended 31 December 2017 of approximately HK$13.9 million. Had the effect of such expected Listing expenses not been taken into account, the estimated consolidated results of the Company for the year ended 31 December 2017 would have been approximately HK$36.7 million.

OFFER STATISTICS

Market capitalisation of the Shares *(Note 1)*	HK$435.0 million
Unaudited pro forma adjusted net tangible assets per Share *(Note 2)*	HK$1.7

Notes:

(1) The calculation of the market capitalisation of the Shares is based on 189,115,638 Shares expected to be in issue immediately following completion of the Spin-off but takes no account of any Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.

(2) The unaudited pro forma net tangible assets per Share has been prepared with reference to certain estimation and adjustment. Please refer to Appendix IIA to this prospectus for further details.

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

"30-month Lock-up Period"	the period of thirty months immediately following the First Lock-up Period
"Announcement No. 7"	國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告 (the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises)
"Application Form(s)"	**WHITE** Application Form(s) and **YELLOW** Application Form(s) or where the context so requires, any of such forms to be used in relation to the Public Offer
"Articles of Association" or "Articles"	the articles of association of the Company conditionally adopted on 8 February 2018 to take effect on the Listing Date, a summary of which is contained in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Baker Tilly"	Baker Tilly Hong Kong Risk Assurance Limited, the internal control adviser of the Group
"Banking Ordinance"	the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are open for general banking business
"BVI"	the British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant(s)"	person(s) admitted to participate in CCASS as direct clearing participant(s) or general clearing participant(s)
"CCASS Custodian Participant(s)"	person(s) admitted to participate in CCASS as custodian participant(s)

"CCASS Internet System"	the website operated by HKSCC to enable CCASS Investor Participants and, upon authorisation by a CCASS Clearing Participant or a CCASS Custodian Participant, stock segregated account statement recipients of that CCASS Clearing Participant or CCASS Custodian Participant to access CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time
"CCASS Investor Participant(s)"	person(s) admitted to participate in CCASS as investor participant(s) who may be individual(s) or joint individual(s) or corporation(s)
"CCASS Participant(s)"	CCASS Clearing Participant(s), CCASS Custodian Participant(s), or CCASS Investor Participant(s)
"CCASS Phone System"	the interactive voice response system operated by HKSCC for enabling CCASS Investor Participants and, upon authorisation by a CCASS Clearing Participant or a CCASS Custodian Participant, statement recipients of that CCASS Clearing Participant or CCASS Custodian Participant to access CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures in effect from time to time
"CG Code"	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
"Changshu"	常熟市 (Changshu City), a city in the Jiangsu province of the PRC
"Changshu Factory"	the factory buildings which the Group's manufacturing base is located in Changshu and are leased and operated by Tongda Suzhou
"CIC"	China Insights Consultancy Limited, a market research company and an Independent Third Party
"CIC Report"	a market research report commissioned by the Group and prepared by CIC on the overview of the industries in which the Group operates
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Code"	the Code on Takeovers and Mergers, as amended, modified and supplemented from time to time

"Companies Law"	the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	Tongda Hong Tai Holdings Limited (通達宏泰控股有限公司), an exempted company incorporated with limited liability in the Cayman Islands on 21 March 2016
"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 context of the Company, means collectively Mr. Wong Ah Yeung, Mr. Wong Ah Yu, Mr. Wang Ya Hua, Mr. Wang Ya Nan, Landmark Worldwide Holdings Limited and E-Growth Resources Limited
"CRI"	China Research and Intelligence Company Limited, a market research company and an Independent Third Party
"CRI Report"	a market research report commissioned by the Group and prepared by CRI on the overview of the industries in which the Group operates
"Deed of Indemnity"	the deed of indemnity dated 8 February 2018 and entered into by the Controlling Shareholders in favour of the Company (for itself and as trustee for and on behalf of the subsidiaries of the Company) as further detailed in the section headed "E. Other information — 1. Estate duty, tax and other indemnities" in Appendix IV to this prospectus
"Deed of Non-competition"	the deed of non-competition dated 8 February 2018 and entered into by the Controlling Shareholders in favour of the Company (for itself and as trustee for and on behalf of the subsidiaries of the Company) as further detailed in the section headed "Relationship with the Tongda Group and connected persons" of this prospectus

"Director(s)"	the director(s) of the Company
"Distribution Shares"	an aggregate of 151,293,138 Shares to be distributed under the Tongda Distribution, on the basis of one Share for every 40 Tongda Shares held on the Record Date
"EIT Law"	中華人民共和國企業所得稅法 (the Enterprise Income Tax Law of the PRC)
"EITIR"	中華人民共和國企業所得稅法實施條例 (the Implementation Regulations of Enterprise Income Tax Law of the PRC)
"Eligible Participant(s)"	the employee, adviser, consultant, service provider, agent, customer, partner or joint venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary who has contributed to the Group
"First Lock-up Period"	the period commencing on the date of this prospectus and ending on the date which is six months after the Listing Date
"Foreign Trade Law"	中華人民共和國對外貿易法 (the Foreign Trade Law of the PRC)
"Group"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require), or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the material time
"Guidance Catalogue"	外商投資產業指導目錄 (the Catalogue for Guidance of Foreign Investment Industries)
"Handset Casings Business"	the handset casings business (mainly smartphone casings manufacturing) of the Remaining Group
"HKFRS(s)"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKICPA"	Hong Kong Institute of Certified Public Accountants

"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Union Registrars Limited, the branch share registrar and transfer office in Hong Kong
"Hong Kong Office"	Room 1203, 12th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
"Hong Kong Office Lease"	the lease entered into between Tongda Group International and the Company pursuant to which Tongda Group International will lease the Hong Kong Office to the Group
"Hong Kong Office Lease Annual Caps"	the annual cap(s) in the amount of HK$133,000, HK$168,000 and HK$168,000 for the lease of Hong Kong Office under the Hong Kong Office Lease for each of the three financial years ending 31 December 2018, 2019 and 2020 respectively
"Independent Third Party(ies)"	party(ies) not connected with any of the Directors or the Substantial Shareholder or any of its subsidiaries or any of their respective associates (within the meaning of the Listing Rules)
"Industry Reports"	CRI Report and CIC Report
"Issuing Mandate"	the general unconditional mandate given to the Directors by the Shareholders relating to the issue of Shares, further details of which are set forth in the section headed "A. Further information about the Company — 3. Written resolutions of the sole Shareholder passed on 8 February 2018" in Appendix IV to this prospectus

"Joint Lead Managers"	(i) Sinomax Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO; (ii) Sinolink Securities (Hong Kong) Company Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO; (iii) RHB Securities Hong Kong Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO; and (iv) Changjiang Securities Brokerage (HK) Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 5 (advising on futures contracts) regulated activities under the SFO
"Latest Practicable Date"	20 February 2018, being the latest practicable date prior to the publication of this prospectus for ascertaining certain information contained in this prospectus
"Law on Protection of Consumer Rights and Interests"	中華人民共和國消費者權益保護法 (the PRC Law on Protection of the Rights and Interests of Consumers)
"Listing"	the listing of Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date on which dealings in the Shares first commence on the Main Board, which is expected to be on Friday, 16 March 2018
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"LME"	The London Metal Exchange
"Main Board"	the stock market (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the GEM operated by the Stock Exchange
"Memorandum of Association" or "Memorandum"	the memorandum of association of the Company, as amended and supplemented from time to time

"Messis Capital" or "Sponsor"	Messis Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the sponsor for the Listing
"Notice 698"	國家稅務總局關於加强非居民企業股權轉讓所得企業所得稅管理的通知 (the Notice of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Gain Derived from Equity Transfer Made by Non-Resident Enterprises)
"Offer Price"	HK$2.30 per Offer Share (excluding the Stock Exchange trading fee, transaction levy imposed by the SFC and brokerage fee payable thereon) at which the Offer Shares are to be offered for subscription pursuant to the Share Offer, particulars of which are described in the section headed "Structure and conditions of the Share Offer — Pricing and allocation" in this prospectus
"Offer Shares"	the Public Offer Shares and the Placing Shares
"Overseas Tongda Shareholder(s)"	registered holder(s) of issued Tongda Shares whose address(es) on the register of members of Tongda is/are in a jurisdiction outside Hong Kong on the Record Date whose exclusion from the entitlement to receive Shares under the Tongda Distribution, the directors of Tongda, having made relevant enquiries, consider to be necessary or expedient on account either of the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction
"Placing"	the conditional placing of the Placing Shares at the Offer Price, as further described under the section headed "Structure and conditions of the Share Offer" in this prospectus
"Placing Shares"	34,040,000 new Shares initially offered by the Company for subscription under the Placing, subject to re-allocation as described in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Placing Underwriter(s)"	the underwriters of the Placing

"Placing Underwriting Agreement"	the conditional placing underwriting agreement relating to the Placing to be entered into between the Company and the Placing Underwriters
"PRC" or "China"	the People's Republic of China which, for the purpose of this prospectus, excludes Hong Kong, Macau Special Administrative Region and Taiwan
"PRC Company Law"	中華人民共和國公司法 (the Company Law of the PRC)
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC government"	central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
"PRC Legal Advisers"	Hills & Co., the legal advisers to the Company as to PRC law
"Product Quality Law"	中華人民共和國產品質量法 (Product Quality Law of the PRC)
"Public Offer"	the conditional offer of the Public Offer Shares by the Company for subscription by members of the public in Hong Kong for cash at the Offer Price, payable in full on application, on and subject to the terms and conditions stated herein and in the related Application Forms
"Public Offer Shares"	the 3,782,500 new Shares initially offered for subscription under the Public Offer, subject to re-allocation as described in the section headed "Structure and conditions of the Share Offer" in this prospectus
"Public Offer Underwriter(s)"	the underwriters listed in the section headed "Underwriting — Public Offer Underwriters" in this prospectus, being the underwriters of the Public Offer
"Public Offer Underwriting Agreement"	the conditional public offer underwriting agreement dated 27 February 2018 relating to the Public Offer and entered into, among others, the Company and the Public Offer Underwriters
"Qualifying Tongda Shareholder(s)"	registered holder(s) of issued Tongda Shares, whose name(s) appear(s) on the register of members of Tongda on the Record Date (except for any Overseas Tongda Shareholders)

"Record Date"	23 February 2018, being the record date for ascertaining entitlements to the Tongda Distribution
"Regulation S"	Regulation S under the US Securities Act
"Regulations on the Administration of Printing Industry"	印刷業管理條例 (the Regulations of Administration of Printing Industry)
"Remaining Business(es)"	the principal business activities engaged by the Tongda Group, following the completion of the Spin-off and the Listing
"Reorganisation"	the corporate reorganisation of the Group in preparation for the Listing, particulars of which are set forth under the paragraph headed "Reorganisation" in the section headed "History, reorganisation and corporate structure" in this prospectus
"Repurchase Mandate"	the general unconditional mandate given to the Directors by the Shareholders relating to the repurchase of Shares, further details of which are set forth in the section headed "A. Further information about the Company — 7. Repurchase by the Company of Shares" in Appendix IV to this prospectus
"SAFE"	中華人民共和國國家外匯管理局 (the State Administration of Foreign Exchange of the PRC)
"SAT"	中華人民共和國國家稅務總局 (the State Administration of Taxation of the PRC)
"SCNPC"	全國人民代表大會常務委員會 (the Standing Committee of the National People's Congress of the PRC)
"Second Lock-up Period"	the period of six months immediately following the First Lock-up Period
"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) with a nominal value of HK$0.01 each in the capital of the Company

"Shareholder(s)"	holder(s) of Share(s)
"Share Offer"	the Public Offer and the Placing
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on 8 February 2018, the principal terms of which are summarised in the section headed "D. Share Option Scheme" in Appendix IV to this prospectus
"Sole Bookrunner"	Sinomax Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO
"Spin-off"	the spin-off of the Company by way of the Listing to be effected by the Tongda Distribution and the Share Offer
"Spin-off Business"	the notebook and tablet casings manufacturing business in the PRC
"Spin-off Condition"	the condition to Listing, namely the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued on the Main Board
"State Council"	中華人民共和國國務院 (the State Council of the PRC)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and details of which are set out in the section headed "Controlling Shareholders and Substantial Shareholders" in this prospectus
"Taiwan Stock Exchange"	The Taiwan Stock Exchange Corporation
"Temporary Printing Operators Qualifications"	印刷業經營者資格條件暫行規定 (the Temporary Regulations for the Qualifications of the Operators in the Printing Industry)
"Tong Da Holdings"	Tong Da Holdings (BVI) Limited, a company incorporated in the BVI on 2 June 1993 with limited liability, a directly wholly-owned subsidiary of Tongda

"Tongda"	Tongda Group Holdings Limited (通達集團控股有限公司), a company incorporated in the Cayman Islands on 18 September 2000 with limited liability and the shares of which are listed on the Main Board (stock code: 698)
"Tongda BVI"	Tongda HT Holdings (BVI) Limited, a company incorporated in the BVI on 23 March 2016 with limited liability, a directly wholly-owned subsidiary of the Company upon completion of the Reorganisation
"Tongda Distribution"	a conditional special interim dividend declared by Tongda to be satisfied by way of a distribution in specie of the Distribution Shares to Qualifying Tongda Shareholders (or, in the case of Overseas Tongda Shareholders, a cash amount equal to the net proceeds of the sale of the Shares to which such Overseas Tongda Shareholders would have been entitled had their addresses on the Record Date not been outside Hong Kong), subject to the satisfaction of the conditions described in the section headed "The Tongda Distribution and the Spin-off" in this prospectus
"Tongda Group" or "Remaining Group"	Tongda and its subsidiaries which, for the purpose of this prospectus, exclude the Group
"Tongda Group International"	Tongda Group International Limited, a company incorporated in Hong Kong on 21 June 2000 with limited liability and an indirect wholly-owned subsidiary of Tongda
"Tongda Hong Kong"	Tongda HT Technology (HK) Company Limited (通達宏泰科技(香港)有限公司), a company incorporated in Hong Kong on 1 April 2016 with limited liability and an indirectly wholly-owned subsidiary of the Company upon completion of the Reorganisation
"Tongda Shanghai"	Tongda (Shanghai) Company Limited (通達(上海)有限公司), a company incorporated in Hong Kong on 25 May 2001 with limited liability and an indirectly wholly-owned subsidiary of Tongda, which was holding 100% equity interests in Tongda Suzhou prior to the Reorganisation
"Tongda Shareholder(s)"	holder(s) of Tongda Shares
"Tongda Share(s)"	ordinary share(s) with a nominal value of HK$0.01 each in the capital of Tongda

"Tongda Shenzhen"	Tongda Ironware (Shenzhen) Company Limited (通達五金(深圳)有限公司), a limited liability company established in the PRC on 11 April 2002 and a wholly-owned subsidiary of Tongda
"Tongda Shishi"	Tongda Electrics Company Limited, Shishi City Fujian Province (福建省石獅市通達電器有限公司), a limited liability company established in the PRC on 12 February 1993 and a wholly-owned subsidiary of Tongda
"Tongda Suzhou"	Tongda HT Technology (Suzhou) Company Limited (通達宏泰科技(蘇州)有限公司), a limited liability company established in the PRC on 27 March 2010 and an indirectly wholly-owned subsidiary of the Company upon completion of the Reorganisation
"Track Record Period"	the three financial years ended 31 December 2016 and the eight months ended 31 August 2017
"Underwriters"	the underwriters of the Placing and the Public Offer
"Underwriting Agreements"	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
"US" or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US Securities Act"	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"VAT"	value-added tax of the PRC (中華人民共和國增值稅)
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant's/applicants' own name(s)
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly in CCASS
"EUR"	Euro, the lawful currency of the Member States of the European Union
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"JPY"	Japanese Yen, the lawful currency of Japan

“NTD”	New Taiwan dollars, the lawful currency of Taiwan
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAR”	Saudi Arabian Riyal, the lawful currency of the Kingdom of Saudi Arabia
“US$”, “USD” or “US Dollar(s)”	United States dollar(s), the lawful currency of the United States of America
“sq.ft.”	square feet
“sq.m.”	square metres
“%”	per cent.

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

In this prospectus, unless otherwise specified, conversion of Renminbi has been translated into HK$ at exchange rates prevailing at the relevant times for illustrative purposes only. Such conversions shall not be construed as representations that amounts in Renminbi were or could have been or could be converted into HK$ at such rates or any other exchange rates.

All figures are converted (where relevant) for the purposes of this prospectus from sq.m. to sq.ft. at 1 sq.m. = 10.7639 sq.ft.

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.

This glossary contains certain definitions and other terms used in this prospectus in connection with the Group and its business. The terminology and their meanings may not correspond to standard industry meanings or usage of those terms.

"ABS"	acrylonitrile butadiene styrene
"CAGR"	compound annual growth rate
"CNC"	computer numeric controlled
"EDM"	electrical discharge machining, a machining process used to crease intricate and complex shapes in the mould fabrication process
"EICC"	Electronic Industry Citizenship Coalition, an association founded in 2004 by a group of electronic companies that created a set of standards on social, environmental and ethical issues in the electronics industry supply chain
"fabrication"	the process whereby steel block is cut into the shape and dimension to form the metal mould, and is assembled into a mould
"IML"	in-mould lamination
"IMR"	in-mould decoration by roller
"ISO"	International Organisation for Standardisation
"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
"ISO14001"	the International Standard for Environmental Management Systems. Its 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

"LMF"	laminated metal filming
"mould"	the metallic mould, which is a metallic structure used for moulding; also referred to as "mold"; while there are various types of moulds, for this prospectus, unless otherwise specified, "mould" refers to plastic injection mould or metal stamping mould
"OEM(s)"	consumer electronic products original equipment manufacturer(s) whereby products are manufactured in whole or in part in accordance with the customer's specifications and are marketed under brand names designated by customers
"PC"	polycarbonate
"PC/ABS"	a thermoplastic blending PC and ABS
"plastic injection moulding"	a manufacturing process for producing plastic components by injecting melted plastic resins into a plastic injection mould
"resin"	a synthetic organic polymer used as the basis of plastics

This prospectus contains forward-looking statements, including, without limitation, words and expressions such as "anticipate", "believe", "continue", "could", "expect", "going forward", "intend", "may", "ought to", "plan", "potential", "project", "seek", "should", "will", "would" or similar words or statements, in particular, in the sections headed "Risk factors", "Business", "Financial information" and "Future plans and use of proceeds from the Share Offer" in this prospectus in relation to future events, the future financial, business or other performance and development, the future development of the Group's industry and the future development of the general economy of the key markets.

These statements are based on various assumptions regarding the present and future business strategy and the environment in which the Group will operate in the future. These forward-looking statements reflecting the current views with respect to future events are not a guarantee of the future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus and the following:

- the Group's business and operating strategies and its ability to implement such strategies;
- the Group's ability to further develop and manage its projects as planned;
- financial condition and performance;
- the Group's dividend policy;
- general political and economic conditions;
- changes in policies, legislation, regulations, or practices in the PRC;
- future developments and competitive environment for the Group's products in the PRC or any other countries or territories in which the Group operates or should it intends to enter into;
- changes in economic conditions and competition in the areas in which the Group operates, including a downturn in the general economy of the PRC;
- exchange rate fluctuations and restrictions;
- catastrophic losses from fires, floods, windstorms, earthquakes, diseases or other adverse weather conditions or natural disasters; and
- other factors beyond the Group's control.

The Directors believe that the sources of information that contained such forward-looking statements are appropriate sources for such statements and has taken reasonable care in extracting and reproducing such information and assumptions. The Directors have no reason to believe that information and assumptions contained in such forward-looking statements is false or misleading or that any fact has been omitted that would render such forward-looking statements false or misleading in any material respect. The information and assumptions contained in the forward-looking statements have not been independently verified by the Group, the Controlling Shareholders, the Sponsor, the Sole Bookrunner, the Underwriters, any other party involved in the Spin-off or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which forward-looking statement are made.

Additional factors that could cause actual performance or achievements of the Group to differ materially include, but are not limited to those discussed under the section headed "Risk factors" and elsewhere in this prospectus. The Company cautions you not to place undue reliance on these forward-looking statements which reflect the view of the Group's management only as at the date of this prospectus. The Company undertakes no obligation to update or revise any forward-looking statements as at the Latest Practicable Date, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur.

In this prospectus, statements of or references to the Group's intentions or those of the Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments. The Directors confirm that any forward-looking statements contained in this prospectus are made after due and careful consideration.

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks and uncertainties associated with an investment in the Company before making any investment decision in the Offer Shares. The Group's business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading prices of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group relies on a few major customers and if the Group's relationship with any one of them deteriorates will materially and adversely affect the operations of the Group

For each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, sales to the Group's five largest customers accounted for approximately 94.8%, 94.5%, 88.7% and 94.3%, respectively, of its total revenue, and sales to the Group's largest customer accounted for approximately 48.1%, 55.2%, 45.3% and 59.2%, respectively, of its total revenue during the same periods. The Group will continue to rely on the business with its major customers. If the Group's major customers cease to purchase or reduce substantially their order size in the future, whether due to their decision to change supplier or any other reason, the Group may not be able to seek alternative customers within a short period of time, the business and financial performance of the Group will be materially adversely affected.

Furthermore, a number of the Group's customers are OEMs that serves the same leading domestic and international brand owners. If the Group's relationship with one or more of such leading domestic and international brand owners worsens or discontinues, the sales to multiple of the Group's customers that service the same brands may simultaneously be materially and adversely affected, and if the Group were not able to replace such lost sales on comparable terms, or at all, the business, results of operations and financial condition of the Group may be materially and adversely affected.

The Group has not entered into long-term agreements with customers and there is no assurance that the current relationship between the Group and any customer can be continued in the future

The Group's customers typically place a single purchase order with the Group for each purchase, as opposed to entering into long-term purchase agreements with the Group. As such, there is no assurance that the relationship between the Group and any customer will continue on the same or similar terms, and the customers are free to terminate their respective relationship with the Group at any time in the future. Accordingly, the volume of the customers' purchase orders and the product mix may vary significantly from period to period, and it may be difficult to forecast the number of future orders. As a result, the Group's business, results of operations and financial condition may vary from period to period, depending on the volume of purchase orders from the customers, whether existing or new.

The Group recorded negative cash flows from its operating activities for each of the three years ended 31 December 2016 and the eight months ended 31 August 2017 which indicated an exposure to risk on working capital and liquidity arising from the Group's lengthened inventory turnover days and widened difference between account receivable days and account payable days

The Group recorded negative cash flows from its operating activities for each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, mainly as a result of (i) lengthened inventory turnover days and/or (ii) widened difference between account receivable days and account payable days.

During the Track Record Period, the inventory turnover days of the Group was 127.7 days, 176.5 days, 199.3 days and 198.3 days for the three years ended 31 December 2016 and eight months ended 31 August 2017, respectively. The increased inventory turnover days were primarily due to (i) the increase in size of sales orders and production requests received from customers; and (ii) the piling up of inventory arising from the specific production request of notebook casings project under Brand J and Brand B since last quarter of 2016 and first quarter of 2017 respectively. For details of the inventory turnover days, please refer to the section headed "Financial Information — Inventory analysis — Inventory turnover days" in this prospectus. If the Group fails to manage its inventories effectively, the Group may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, higher inventory levels may also require the Group to commit substantial capital resources, preventing the Group from using such capital for other purposes.

Further, during the Track Record Period, the trade and bills receivables turnover days were longer than the trade payables turnover days by 49.2 days, 50.1 days, 75.4 days and 80.2 days, respectively. The widened difference was mainly due to a combined effect of (i) lengthened trade and bills receivables turnover days arising from an increase in proportion of sales made to certain major customers with longer credit period; and (ii) faster settlement to suppliers due to the incentive of discount benefited from early settlement. If the Group fails to manage the timing and amount of cash to be received from customers and the timing and amount of cash to be paid to suppliers in an effective manner, the Group may be subject to tightened liquidity and fail to maintain sufficient working capital to support daily operation.

The abovementioned lengthened inventory turnover days and widened difference between account receivable days and account payable days will slow down the overall cash conversion cycle and straiten the liquidity of the Group. If the Group is not able to generate sufficient cash flows from its operations or obtain sufficient financing to support its business operation, the liquidity, results of operation and prospects of the Group will be materially and adversely affected.

Fluctuations in the price of materials may have a material adverse effect on the business, results of operations and financial condition of the Group

As the business continues to grow, the Group has experienced an increasing demand for materials and semi-finished products such as resin, accessories and components. For each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, the purchases of materials represented approximately 58.8%, 58.8%, 56.3% and 48.3%, respectively, of the cost of sales of the Group. The price fluctuations may primarily due to changes in supply and demand conditions of the resin, metal plates, accessories and components markets. While the Group monitors the price of materials and adjust its price quotations accordingly, the Group may not be able to directly pass on any increase in the price of materials to the customers, which may have a material adverse effect on the business, results of operations and financial condition of the Group.

During the Track Record Period, the Group did not enter into any long-term supply contracts with any of its suppliers or commit any minimum quantities to, its third-party suppliers. The fluctuation in prices of materials may, however, have a material effect on the cost of sales of the Group as the prices of resin, metal plates, accessories and components can be volatile given that they are determined by various factors such as the industry demand and supply. The Group cannot give assurance that future price increases in materials or changes in the supply of materials will not materially and adversely affect the Group's operating results and performance.

An increase in the cost of labour may adversely affect the Group's business, results of operations, financial condition and growth prospects

The Group's business operates on a labour-intensive basis and, as at 31 August 2017, the Group had 968 permanent full-time employees and 40 dispatched workers. The Directors believe its continued success is dependent on the ability to sustain cost effectiveness. The direct labour costs accounted for 17.8%, 19.1%, 15.1% and 12.1% of the Group's total cost of sales for each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively. The labour costs in the PRC have been gradually increasing in recent years and may continue to increase in the future. There is no guarantee that the Group's labour cost will continue to be stable. If the Group fails to retain its existing labour and/or recruit sufficient labour in a timely manner, the Group may not be able to accommodate sudden increase in demand for its products or expansion plans. If the Group is not able to manufacture and deliver its products on schedule or if it is unable to implement the expansion plans, its business, results of operations, financial condition and growth prospects would be materially adversely affected. Furthermore, if there is a significant increase in labour cost, the cost of the Group's business operation would increase and its profitability would be adversely affected.

Certain manufacturing process of the Group is outsourced to third-party subcontractors and the operations and profitability of the Group may be adversely affected by their performance

Certain manufacturing process of the Group is outsourced to various third-party subcontractors. Details of the mechanisms and policies in respect of the outsourcing arrangement is set out in the section headed "Business — Suppliers, materials and inventory — Subcontracting" in this prospectus. During the Track Record Period, there were over 5 third-party subcontractors engaged by the Group. The subcontracting fee of the Group increased by approximately HK$0.9 million to approximately HK$14.5 million for the year ended 31 December 2015. During the year ended 31 December 2016, the Group's subcontracting fee was approximately HK$29.3 million. The Group's subcontracting fee increased from approximately HK$15.6 million to approximately HK$54.4 million over the eight months ended 31 August 2016 and 2017 was mainly due to the increased anodising services engaged by the Group for the increased sales orders for notebook casings requiring anodising decoration technique. Such fluctuations were mainly due to (i) the availability of the Group's internal resources from time to time; and (ii) different decoration techniques required in the manufacturing procedures as specified by the customers. In the event that the Group is unable to secure suitable third-party subcontractors when required, or if the fees/prices charged by the third-party subcontractors substantially increase, the manufacturing process and financial position of the Group may be adversely affected. Furthermore, the third-party subcontractors' performance could directly affect the quality of the Group's products. There is no assurance that the product quality of the third-party subcontractors can always meet the Group's requirements. If the Group could not identify suitable third-party subcontractors as replacement in a timely manner, the operations and profitability of the Group would be adversely affected.

The Group may not be able to maintain its gross profit margin and growth in profit in the future

The Group's revenue increased by approximately 12.3% from HK$376.3 million for the year ended 31 December 2014 to HK$422.7 million for the year ended 31 December 2015, which was primarily attributable to increase in sales of notebook casings by approximately 65.5% or HK$160.9 million for the year ended 31 December 2015. During the year ended 31 December 2016, the Group's revenue further increased to approximately HK$463.9 million, which was mainly attributable to the increased sales to the Group's certain major customers and new customers for mass production. The Group's revenue increased from approximately HK$257.8 million to HK$351.5 million over the eight months ended 31 August 2016 and 2017, which was mainly due to the increase in notebook sales to Compal Electronics, Inc. for certain projects during the period.

The Group's gross profit amounted to approximately HK$83.2 million, HK$88.6 million and HK$103.2 million for each of the three years ended 31 December 2016, respectively. The Group's overall gross profit margin was approximately 22.1%, 21.0% and 22.3% for each of the three years ended 31 December 2016, respectively. The Group recorded (i) gross profit of approximately HK$49.4 million and HK$68.2 million; and (ii) overall gross profit margin of approximately 19.2% and 19.4% for the eight months ended 31 August 2016 and 2017 respectively.

Nevertheless, the Directors cannot provide any assurance that the Group will continue to maintain the current gross profit margin and growth in profit in the future if the operational costs continue to increase as a result of, among other factors, increased costs of labour, raw materials and manufacturing overheads, prospects of the downstream industries, implementation of strategies and the competitive landscape as well as general economic and political conditions in the PRC and other markets of the Group. Should there be any changes which adversely affect the operations of the Group, its growth and profitability could be adversely affected.

The Group's sales may fluctuate and be affected by seasonality

Demand from the Group's customers and in turn the Group's sales is affected by seasonal fluctuations. Notebooks and tablets have generally been in higher demand during the second half of each calendar year due to the seasonal purchase patterns of consumers affected by factors such as summer holidays, Christmas holidays and the Chinese New Year. Driven by the demand of end-products, the Group recorded higher revenue in the second half of the year than that of the first half of the year in each of the years during the Track Record Period. Please refer to the section headed "Business — Products — Seasonality" in this prospectus. As a result of the inherent seasonality of the Group's business, the results of operations may fluctuate from quarter to quarter. However, the Directors are not able to provide assurance that the historical trend of seasonality of the Group's revenue will continue to the same extent, or at all. Therefore, an analysis of the Group's interim financial performance may not be indicative of its full-year results due to the seasonality of the revenue. The Directors believe that the seasonal variability in the Group's results of operations will continue in the future.

The Group had increasing inventory balance and inventory turnover days and faces the risk of obsolescence for its inventory

The notebook and tablet casings industry is characterised by rapid technological change and such characteristic has often led to inventory obsolescence. The Group manufactures products in advance in accordance with the production requests provided by the Group's customers during the Track Record Period. The provision for obsolete or slow-moving inventories amounted to nil, approximately HK$1.9 million, HK$1.4 million and HK$3.6 million as at 31 December 2014, 2015, 2016 and 31 August 2017, respectively. During the Track Record Period, the Group recorded inventory balance of approximately HK$173.3 million, HK$235.4 million, HK$269.7 million and HK$311.2 million respectively. There was an increasing trend in the inventory balance and inventory turnover days during the Track Record Period, which was mainly attributable to (i) the Group's general business growth with increased sales orders and production requests from customers; and/or (ii) the piling up of inventory arising from the specific production request of notebook casings project under Brand J and Brand B since last quarter of 2016 and first quarter of 2017 respectively.

If the inventory level of the Group continues to pile up and the salability of the inventory is affected by change in future customer demand and rapid technological advancement, the business and prospects of the Group will be materially and adversely affected.

The Group faces foreign exchange risks and translation risks

The Group derives a substantial portion of its revenue in US$ and foreign exchange rate fluctuations may adversely affect the Group's business and performance. The Group's sales are predominantly denominated in US$ while its costs are mostly denominated in RMB. The exchange rates between RMB and US$ are subject to continuous movements affected by international political and economic conditions and changes in the PRC Government's economic and monetary policies. As the Group derives a substantial portion of its revenue in US$ while substantial portion of its costs are denominated in RMB, appreciation of RMB against US$ will therefore directly decrease the profit margin of the Group if the Group is unable to increase the selling prices of its products accordingly. If the Group increases the selling prices of its products as a result of the appreciation of RMB, it may in turn affect the Group's competitiveness against other competitors. To the extent that the Group needs to convert the proceeds of the Share Offer and future financing into RMB for its operations, appreciation of the RMB against the relevant foreign currencies would have an adverse effect on the purchasing power of the RMB amount that the Company would receive from the conversion. On the other hand, any depreciation of RMB would adversely affect the Group's ability to pay for foreign currency obligations.

In addition, the Group is subject to translation risks as the consolidated financial statements are reported in Hong Kong dollars while the financial statements of the Group's operating subsidiary are prepared in RMB, the currency of the primary economic environment in which it operates. During the Track Record Period, the Group recorded currency translation losses arising from consolidation of approximately HK$0.2 million, HK$4.2 million, HK$8.9 million and HK$2.3 million, respectively. Accordingly, the Group may incur currency translation losses or gains due to translation of functional currency into the presentation currency which may adversely affect its financial position.

There is no assurance that the Group's business strategy and future plans will be implemented successfully

The Group's strategies are based on its existing plans in light of the prevailing market conditions and possible industry developments, and are subject to inherent risks and uncertainties at different development and expansion stages. The formulation of the Group's strategies is based on assumptions of future events which include, but are not limited to, no material change in existing political, legal, fiscal, foreign trade or economic conditions in major markets of and no material change in technology used by the notebook and tablet industry, and no material change in the business relationships with existing customers and suppliers of the Group. These assumptions may not be correct, which could affect the commercial viability of the Group's strategies. In such event, the Group may need to adjust its strategies in response to the changing market conditions.

The Directors cannot provide any assurance that the Group's strategies will be implemented in the manners as disclosed in this prospectus. In any of these events, the business, financial condition, and operating results of the Group could be adversely and materially affected.

The Group may be subject to liability in connection with industrial accidents at its production facilities

As the production process of the Group involves the operation of tools, equipment and machinery which are potentially dangerous, industrial accidents resulting in personal injuries or even deaths may occur. The Directors are not able to provide assurance that industrial accidents at the Group's production facilities, whether due to malfunctions of such tools, equipment or machinery or other reasons, will not occur in the future. In such an event, the Group may be held liable for the personal injuries or deaths and subject to monetary losses, fines or penalties or other forms of legal liability as well as business interruptions caused by equipment shutdowns for government investigation or implementation or imposition of safety measures. For example, work safety laws imposed by the PRC government authorities could impose compliance costs or reduce the efficiency of the Group's operations, thereby materially and adversely affecting its business, results of operations and financial condition.

The Group does not own the properties on which it carries out the business, and the Group is exposed to the risks associated with the industrial real estate rental market

As at the Latest Practicable Date, the properties occupied by the Group for its business purposes were leased from the Independent Third Parties and the Tongda Group, details of which are disclosed in the section headed "Business — Properties" in this prospectus. In the event that there is any increase in the rental expenses for the existing leased properties in the long run, the operating expenses of the Group and pressure on the operating cash flows will increase, thereby materially and adversely affecting the Group's business, results of operations and prospects.

In addition, there is no assurance that the Group will successfully renew the tenancy agreements for the relevant leased premises on commercially acceptable terms, or at all. There is also no assurance that such tenancy agreements will not be terminated before their expirations. Termination of the Group's premises or invalidation of lease agreements may be due to the lessors' lack of title to lease the properties. If it happens, the Group needs to relocate to other premises, which may incur additional costs.

The Group's insurance policies do not cover all operating risks

The Group maintains (i) a property insurance policy with coverage against, among other matters, accidental loss of or damage arising from fire, earthquake and other natural calamities in respect of the production equipment and inventories at the Changshu Factory; (ii) motor vehicles insurance policies for motor vehicles owned by the Group; and (iii) an employee insurance policy for employees' compensations with coverage against, among other matters, death, disability and medical expenses. Nevertheless, the Group may face liabilities that exceed its available insurance coverage or arise from claims outside the scope of its insurance coverage. Furthermore, the Group does not carry product liability or business liability insurance for its products, business interruption or third-party liability insurance for personal injuries. The Directors are not able to provide assurance that the Group will not receive any complains or claims against it or be subject to product recalls. The Group may have to spend significant resources and time to defend itself if legal proceedings for product liability are instituted against the Group. The successful assertion of product liability claims against the Group could require the Group to pay significant monetary damages and/or subject the Group to recall of its products. If any such claims are made, the Group's reputation may also be adversely affected, which may lead to loss of market share, and the business, results of operations, financial condition and prospects of the Group could be materially and adversely affected. Further information on the Group's insurance coverage is set forth in the section headed "Business — Insurance" in this prospectus.

If the Group fails to effectively protect its intellectual property rights, the business of the Group could be adversely affected

Patents, trade secrets or know-how related to the Group's products and production processes are important to the business and competitive position of the Group. The Group uses, among others, a combination of patent and confidentiality agreements with its employees to protect its intellectual property rights. The Group has obtained the patents covering key technologies used in its production processes in the PRC. Further information is set forth in the paragraphs under "B. Further information about the business — 2. Intellectual property rights of the Group" in Appendix IV to this prospectus. The Directors are not able to provide assurance that the Group will be able to obtain necessary protection for all its products and technologies in the PRC.

Implementation of PRC intellectual property-related laws is difficult and complicated. In addition, policing unauthorised use of proprietary technology or trade secrets is difficult and expensive, and the Group may need to resort to litigation to enforce or defend patents issued to the Group or to determine the enforceability, scope and validity of its proprietary rights or those of others. Such litigation and an adverse determination in any such litigation, if any, could result in substantial costs and diversion of resources and management attention, which could harm the business and competitive position of the Group. During the Track Record Period and up to the Latest Practicable Date, the Group did not experience any infringement of its intellectual property rights by third parties.

The Group may incur higher finance costs arising from replacing interest-free financing from the Remaining Group by using interest-bearing external borrowings and profits and results of operations are subject to changes in interest rates

Historically, the Group relied on interest-free financing from the Remaining Group in view of the increased cash outflows for purchasing materials to cope with the customers' increased production requests. As at 31 December 2014, 2015 and 2016 and 31 August 2017, the Group recorded (i) amounts due to the Remaining Group of approximately HK$190.5 million, HK$143.7

million, HK$61.0 million and HK$43.8 million; and (ii) loan from the Remaining Group of nil, approximately HK$19.4 million, nil and nil, respectively. Such amounts due to the Remaining Group shall be settled before the completion of the Spin-off by capitalisation of HK$45.0 million and repayment of the remaining by bank borrowings. As at 31 December 2014, 2015 and 2016 and 31 August 2017, the interest-bearing bank borrowings amounted to approximately HK$60.0 million, HK$78.4 million, HK$192.8 million and HK$228.5 million and the finance costs amounted to approximately HK$1.0 million, HK$2.9 million, HK$6.6 million and HK$5.4 million for each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively. Upon replacing interest-free financing from the Remaining Group by using interest-bearing external borrowings, the Group is expected to incur higher finance costs relating to its bank borrowings. Accordingly, changes in interest rates may affect the Group's financing costs and its profitability and results of operations.

The Group recorded net current liabilities as at 31 December 2014

As at 31 December 2014, the Group's net current liabilities were approximately HK$46.7 million. The net current liabilities position of the Group was primarily due to amounts due to the Remaining Group of approximately HK$190.5 million being recorded as current liabilities as at 31 December 2014, which represented advances that are repayable on demand from the Remaining Group to finance the continued growth of manufacturing business which were of non-trade nature. A net current liabilities position would expose the Group to liquidity risks if the Group was unable to repay the relevant balances for a repayment of the amounts due. In such circumstances, the Group's business operations, liquidity, financial condition and prospects could be adversely affected.

The future capital expenditure of the Group for the purchase of equipment and machinery may result in an increase in the depreciation expenses of the Group

During the three years ended 31 December 2016 and the eight months ended 31 August 2017, the Group has incurred capital expenditure mainly for the purchase of property, plant and machinery amounting to approximately HK$6.1 million, HK$34.0 million, HK$8.0 million and HK$9.7 million, respectively. An addition of property, plant and machinery in future may result in increase in depreciation of property, plant and machinery, may therefore adversely affect the Group's future results of operations and financial performance. Furthermore, any unexpected requirement for the acquisition of additional property, plant and machinery would have a negative impact to the cash level of the Group and the relevant depreciation expenses may adversely affect the Group's financial performance in the future.

The Group may be exposed to infringement or misappropriation claims by third parties

The Group's success depends largely on the ability to use and develop its product know-how, technology and other intellectual properties used in the products and production processes. As the Group continues to expand its markets and gain greater market share in the notebook and tablet casings manufacturing industry, it faces a higher risk of being the subject of claims for intellectual property infringement, invalidity or indemnification. Many of the Group's current and potential competitors have made, and will continue to make, substantial investment in developing competing technologies, and have or may obtain patents that may prevent, limit or interfere with the Group's ability to make, use or sell the existing or future products in China or overseas. The validity and scope of any claims relating to the Group's intellectual property rights involve complex legal and factual questions and analyses and, therefore, the outcome may be uncertain. In addition, the defence of these claims could be both costly and time-consuming, and could significantly divert the attention and resources of management and technical personnel of the Group. Furthermore, an adverse determination in any such litigation or proceedings to which the Group may become a party could cause it to, among others, pay damages, seek licenses from third parties on unfavourable terms, pay on-going royalties or be restricted by injunctions.

Any of these factors could prevent or restrict the Group from pursuing some or all of its business and result in the existing or potential customers deferring or limiting their purchase or use of the Group's products, which could adversely affect the financial condition and operating results of the Group. During the Track Record Period and up to the Latest Practicable Date, the Group did not infringe and were not alleged to infringe any intellectual property rights owned by third parties.

One of the Group's leased properties is subject to title encumbrances, and the Group could be required to vacate such properties

The Group currently leases the property in Changshu for its staff quarters which has a gross floor area of approximately 4,293 sq.m. from an Independent Third Party. So far as the Group is aware, the landlord does not possess valid property ownership certificates and construction works planning permits for such leased properties.

As advised by the PRC Legal Advisers, the relevant lease agreement could be adjudicated as invalid and unenforceable due to the title encumbrances, and there is a risk that the Group will be required to vacate the premises. Further, it is beyond the Group's control whether the landlord would be able to obtain the property ownership certificates.

In the event that the Group is forced to relocate from the relevant staff quarters in Changshu, the Group will incur relocation costs and there is no assurance that the Group would be able to secure a prompt relocation to suitable premises of size and rental comparable to those of the staff quarters in Changshu, which may in turn affect the revenue and financial performance of the Group.

RISKS RELATING TO THE INDUSTRY IN WHICH THE GROUP OPERATES

The Group is highly dependent on the success of its downstream industries as well as the future growth of outsourcing of notebook and tablet casings from its downstream industries

All of the Group's products and services, including the "one-stop" manufacturing solutions for notebook and tablet casings, are mainly consumed in the downstream industries. Accordingly, the results of operations and financial performance of the Group is dependent upon the prospects of its downstream industries.

Furthermore, the customers' demand for the products and services of the Group may drastically and suddenly decrease when the demand for the customers' products decreases or ceases for whatsoever reason. In the event that the growth of the Group's downstream industries could not be sustained, or the Group is unable to take effective measures to respond timely to technological developments and evolving industry standards in its downstream industries, the business, results of operations, financial condition and prospects of the Group may be materially and adversely affected.

If the Group fails to respond to technological changes and evolving industry standards in an efficient and timely manner, the Group may not be able to effectively compete with its competitors

The Group's industry and its downstream industries have been characterised by rapid technological changes and evolving industry standards. There can be no assurance that the Group will be successful in responding to these changes. New services or technologies may render the Group's existing products and services or technologies less competitive. If the Group fails to adapt to technological changes and evolving industry standards in an efficient and timely manner, the Group may not be able to continue to effectively serve its customers' needs, and the business, results of operations and financial condition of the Group may be materially and adversely affected.

RISKS RELATING TO CONDUCTING OPERATIONS IN THE PRC

Adverse changes in the PRC economic, political, and social conditions as well as laws and government policies, may materially and adversely affect the Group's business, financial condition, results of operations and growth prospects

The Group's production facilities are located in the PRC. In addition, the Group's suppliers are mainly located in the PRC and the majority of the Group's purchases during the Track Record Period were attributable to them. Accordingly, the Group's results of operation, financial conditions and prospects are and will continue to be subject to political, economic and legal developments of the PRC. The PRC economy differs from the economies of most developed countries in many aspects, including but not limited to structure, government involvement, level of development, economic growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position and taxation.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC Government has implemented economic reforms and measures emphasising on the utilisation of market forces in the development of the PRC economy. The Group cannot predict whether the changes in the PRC economic, political and social conditions, laws, regulations and policies will have any adverse effect on its current or future business, financial conditions or results of operations.

Moreover, the Group cannot assure that the policy of economic reform and the direction of reform towards market-oriented in the PRC will continue in the future. A variety of policies and other measures that could be taken by the PRC government to regulate the economy could have a negative impact on the Group's business, including the introduction of measures to control inflation or reduce growth, changes in the interest rate or method of taxation. The Group's business, financial conditions and results of operations may be adversely affected by the PRC government's economic, political and social policies and regulations.

Changes and uncertainties in the PRC legal system may have a material impact on the Group's business, financial conditions and results of operations

The PRC legal system is based on written statutes, and prior court decisions may be cited as reference but have limited precedential value. Since 1979, the PRC government has established a commercial law system, and significant progress has been made in promulgating laws and regulations relating to economic affairs and matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new, and the implementation and interpretation of these laws and regulations may involve a certain degree of uncertainty. Consequently, developments and changes in the PRC laws and regulations, including their interpretation and enforcement, may lead to additional restrictions and uncertainties for the Group's business and uncertainties with respect to the outcomes of any legal action taken against the Group in the PRC.

Tightening of credit policy in the PRC may adversely affect the Group's business, growth strategies, financial conditions and results of operation

Recently, the PRC has adopted a tight credit policy which increases the difficulties for enterprises in obtaining financing from banks. The Group is unable to predict whether there is any further fiscal or credit tightening by the PRC government. If the Group needs to seek additional financing from banks in the PRC in the future, those policies may increase the Group's financing costs. If the Group is unable to obtain financing in a timely manner or at all, at reasonable cost or on reasonable terms, the Group's business plans may be hindered, and the Group's growth, financial position and results of operations may be adversely affected.

PRC laws and regulations governing currency conversion could have a material adverse effect on the Group's business, results of operations and financial condition

Since a portion of the Group's revenue is denominated in the Renminbi, the PRC government's control over currency exchange may limit the Group's ability to use revenue generated in the Renminbi by the subsidiaries in PRC to make dividend payments to the Shareholders in foreign currencies, including Hong Kong dollars. The principal regulation governing foreign currency exchange in the PRC is the Administrative Regulations of the PRC on Foreign Exchange (《中華人民共和國外匯管理條例》), as amended. There are significant restrictions on when the Renminbi is converted into foreign currencies and remitted out of the PRC for capital-account transactions, such as the repatriation of equity investments in the PRC and the repayment of the principal of loans or other debt denominated in foreign currencies. These limitations could affect the Group's ability to obtain foreign exchange for capital expenditures. The Directors are not able to provide assurance that the PRC regulatory authorities will not impose more stringent restrictions on the convertibility of the Renminbi, especially with respect to capital-account transactions. The PRC government restrictions on foreign-exchange transactions under the capital account also affect the ability to finance the operating subsidiaries of the Group and could restrict its ability to act promptly in response to changing market conditions.

The Group relies on dividend paid by the operating subsidiary in the PRC for its cash needs, and limitations on the ability of such subsidiary to pay dividends to the Group could have a material adverse effect on its business, results of operations, financial condition and prospects

The Company is a holding company incorporated in the Cayman Islands and conduct substantially all of its operations through the operating subsidiary in the PRC. The Group relies on dividends paid by such subsidiary for its future cash needs that cannot be met by equity issuance or borrowings outside of the PRC, including the funds necessary to pay dividends and other cash distributions to the Shareholders, to service any debt the Group may incur and to pay its operating expenses in excess of such amounts. Under the existing PRC foreign exchange regulations, profit distributions, interest payments and expenditures from trade related transactions can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where the Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The Directors are not able to provide assurance that the PRC government will not in the future impose restrictions on foreign exchange transactions for current-account items, including the payment of dividends.

PRC laws and regulations currently permit payment of dividends by a PRC subsidiary only out of accumulated profits as determined in accordance with the PRC GAAP. According to applicable PRC laws and regulations, each of the operating subsidiaries in the PRC is required to set aside at least 10% of its after-tax profit based on the PRC GAAP each year for its statutory reserves until the amount of such reserves reach 50% of its registered capital. These reserves are not distributable as dividends. Contributions to such reserves are made from such subsidiaries' net profit after taxation. In addition, if the operating subsidiaries in the PRC incur debt in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distribution to the Group. As a result, the operating subsidiaries in the PRC are restricted in their ability to transfer the net profit to the Group in the form of dividends including in periods in which their financial statements indicate that operations have been profitable. If the operating subsidiary in the PRC cannot pay dividends due to government policy and regulations, or because they cannot generate the requisite cash flow, the Group may not be able to pay dividends, service the debts or pay the expenses, which may have a material adverse effect on its business, results of operations, financial condition and prospects.

The Group's operations may be disrupted by various factors, including production difficulties due to mechanical failures, fire, natural disasters or other calamities at or near its facilities

The Group is reliant on equipment and technology in its facilities for the production and quality control of the products, and its operations are subject to production difficulties such as constraints on the capacity of production facilities, mechanical and systems failures and the need for equipment upgrades, any of which may cause the suspension of production and reduced output. There is no assurance that the Group will not experience problems with its equipment or technology in the future or that the Group will be able to address any such problems in a timely manner. Problems with key equipment or technology in one or more of the production facilities may affect the Group's ability to produce its products or cause the Group to incur significant expense to repair or replace such equipment or technology. In addition, scheduled and unscheduled maintenance programs may affect its production output. Any of these could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Furthermore, the Group's operations are subject to operational risks. Fire, earthquakes, natural disasters, pandemics or extreme weather, including droughts, floods, excessive cold or heat, typhoons or other storms, could cause power outages, fuel shortages, water shortages, damage to the Group's production facilities and inventories or disruption of transportation channels, any of which could impair or interfere with the Group's operations. Disruption of the Group's production processes could result in its failure to fulfil orders placed by the customers. In such an event, the Group's revenue could be reduced, its customers could make claims against the Group and the relationships with its customers could deteriorate. If the Group is unable to repair the damaged equipment or resume its production in a timely manner, the Group's operation and its financial performance could be materially and adversely affected.

The Group face uncertainty with respect to PRC tax obligations in connection with indirect transfers of equity interests in its PRC resident enterprises through their non-PRC holding companies pursuant to the Announcement No.7

The Announcement No. 7 abolishes certain provisions and provide more guidance on a number of issues in relation to the Notice 698 promulgated by the SAT on 10 December 2009 and came into effect from 1 January 2008 and was completely abolished on 1 December 2017, including extending the coverage of Notice 698 to indirect transfer of assets such as immovable property in the PRC, changing the reporting requirement of indirect transfer of assets from mandatory to voluntary and allowing either party to an indirect transfer transaction to report to the PRC tax authority. Please refer to the section "Regulatory framework" in this prospectus for further details.

The Group may become at risk of being taxed under the Announcement No. 7 in the future and the Group may be required to expend valuable resources to comply with the Announcement No. 7 or to establish that it should not be taxed under the Announcement No. 7, which may have a material adverse effect on the Group's future restructure and reorganisation.

RISKS RELATING TO THE SHARE OFFER

There is no existing public market for the Shares and their liquidity and market price may fluctuate

Prior to completion of the Spin-off, there was no public market for the Shares. The Company has applied for the listing of, and permission to deal in, the Shares on the Stock Exchange. The Listing, however, does not guarantee that an active trading market for the Shares will develop or, if it does develop, that it will be sustained following completion of the Share Offer or that the market price of the Shares will not fluctuate following completion of the Share Offer. In addition, the Directors are not able to provide assurance that the Listing will result in the development of an active and liquid public trading market for the Shares. Furthermore, the price and trading volume of the Shares may be volatile. Factors such as the following may affect the trading volume and price at which the Shares will trade:

- actual or anticipated fluctuations in the results of operations;
- announcements of new projects or acquisitions by the Group or its competitors;

- news regarding recruitment or loss of key personnel by the Group or its competitors;
- announcements of competitive developments, acquisitions or strategic alliances in the industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general economic, market or regulatory conditions or other developments affecting the Group or the industry in which it operates;
- the operating and stock price performance of other companies, other industries and other events or factors beyond the Group's control; and
- release of lock-up or other transfer restrictions on the outstanding Shares or sales or perceived sales of additional Shares by the Company, the Controlling Shareholders or other Shareholders.

You should note that the stock prices of companies in the notebook and tablet casings industry have experienced wider fluctuations. Such wide market fluctuations may adversely affect the market price of the Shares. In addition, the securities markets have from time to time experienced significant price and trading volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of the Shares.

Shareholders' interest in the Company's share capital may be diluted in the future

In order to expand the business, the Group may consider offering and issuing additional Shares or equity-linked securities in the future, which may result in a dilution of the Group's tangible book value or earnings per Share. The Board has been granted an unconditional general mandate to issue new Shares with a total number of not more than 20% of the Shares in issue on the Listing Date as described in the section headed "Share capital" to this prospectus. As at the Latest Practicable Date, the Directors did not have any intention to offer additional Shares or equity-linked securities.

RISKS RELATING TO THIS PROSPECTUS

No undue reliance should be placed by prospective investors on industry and market overview and statistics derived from official government publications contained in this prospectus

Certain facts and statistics in this prospectus, including those relating to the PRC, its economy and its notebook and tablet casings manufacturing industry have been derived from various official government and other publications generally considered to be reliable. The Directors believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Directors have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by the Directors, the Sponsor, any of their respective directors, officers or representatives or any other person involved in the Spin-off and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics contained in this prospectus may be inaccurate or may not be compatible to facts and statistics produced with respect to other economies. Further, the Directors cannot provide assurance that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. Therefore, you should not unduly rely upon the facts and statistics contained in this prospectus.

The Group's future results could differ materially from those expressed or implied by the forward-looking statements

Included in this prospectus are various forward-looking statements that are based on various assumptions. The Group's future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed "Forward-looking statements" in this prospectus.

Investors should read this entire prospectus carefully and the Directors strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding the Group and the prospectus including, in particular, any financial projections, valuations or other forward looking statement.

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to the Group and the Spin-off that is not set out in this prospectus. Such press and media coverage may include certain development and operational information, financial information, financial projections, valuations and other information about the Group that are not contained in this prospectus. There may continue to be additional press and media coverage on the Group and the Spin-off. The Directors do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. The Directors make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or in conflict with the information contained in this prospectus, the Directors disclaim it, and accordingly you should not rely on any such information.

In preparation for the Listing, the Company has sought the following waiver from strict compliance with the relevant provision of the Listing Rules and exemptions from strict compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive Directors must be ordinarily residents in Hong Kong. Since the principal business operations of the Group are located, managed and conducted in the PRC and all of the executive Directors ordinarily reside in the PRC, the Group does not and, in the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

In this regard, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, subject to the following conditions:

(a) the Company has appointed and will maintain two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as the Company's principal communication channel with the Stock Exchange. The two authorised representatives are Mr. Wang Ya Nan, a non-executive Director and Mr. Wong Ming Li, an executive Director. Each of the authorised representatives shall be available to meet with any officers of the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by telephone, facsimile or e-mail. Each of the authorised representatives has been duly authorised to communicate on behalf of the Company with the Stock Exchange;

(b) the authorised representatives will have the means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange may wish to contact the members of the Board for any matters. In addition, each Director shall provide his or her mobile phone number, residential phone number, office phone number, fax number and e-mail address to the authorised representatives and to the Stock Exchange;

(c) the three executive Directors who are not ordinarily residents in Hong Kong have confirmed that they possess valid travel documents to visit Hong Kong and they will also be able to meet with the officers of the Stock Exchange within a reasonable period of time upon request; and

(d) the Company has appointed Messis Capital as the compliance adviser pursuant to Rule 3A.19 of the Listing Rules, who will also act as an additional communication channel with the Stock Exchange. The appointment of Messis Capital will commence for a period from the date on which the Shares commence trading on the Stock Exchange and ending on the date on which the Company distributes the annual report for the first full financial year after the date on which the Shares commence trading on the Stock Exchange in accordance with Rule 13.46 of the Listing Rules.

WAIVER IN RELATION TO RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

According to Rule 4.04(1) of the Listing Rules, the Accountants' Report contained in this prospectus must include, inter alia, the results of the Company in respect of each of the three financial years immediately preceding the issue of this prospectus or such shorter period as may be acceptable to the Stock Exchange.

Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include an accountants' report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

According to Paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Company is required to include in this prospectus a statement as to the gross trading income or sales turnover (as the case may be) of the Group during each of the three financial years immediately preceding the issue of this prospectus as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

According to Paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Company is required to include in this prospectus a report by the auditors with respect to the profits and losses of the Group for each of the three financial years ended immediately preceding the issue of this prospectus and the assets and liabilities of the Group as at the end of each of the three financial years ended immediately preceding the issue of this prospectus.

According to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

The Accountants' Report set out in Appendix I to this prospectus contains the consolidated results of the Group for the three financial years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2017.

Pursuant to the relevant requirements set forth above, the Company is required to produce three full years of audited accounts for the years ended 31 December 2015, 2016 and 2017. However, an application was made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver was granted by the Stock Exchange on the conditions that:

(a) this prospectus be issued on or before 28 February 2018 and the Company be listed on the Stock Exchange on or before 31 March 2018;

(b) this prospectus contains profit estimate for the year ended 31 December 2017 (in compliance with Rules 11.17 to 11.19 of the Listing Rules) and the Directors' statement that after performing all due diligence work which they consider appropriate, save as the Listing expenses, there is no material and adverse change to the Company's financial and trading positions or prospects, with specific reference to the trading results from 1 September 2017 to 31 December 2017; and

(c) the Company obtains a certificate of exemption from the SFC on strict compliance with Paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

An application was made to the SFC for the certificate of exemption from strict compliance with the requirements under Paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and a certificate of exemption has been granted by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that (i) the particulars of the exemption are set out in this prospectus; and (ii) this prospectus will be issued on or before 28 February 2018 and the Shares will be listed on the Stock Exchange on or before 31 March 2018, which is three months after the latest financial year end.

The application to the SFC for a certificate of exemption from strict compliance with the requirements under Paragraph 27 of Part I and Paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance was made on the grounds that strict compliance with the above requirements would be unduly burdensome and the exemption would not prejudice the interests of the investing public as:

(a) it would be unduly burdensome for the Company and the Reporting Accountants to finalise the audited financial statements for the year ended 31 December 2017 for inclusion in this prospectus. If the full year results of the Group for 2017 are to be included in this prospectus, there will be a significant delay in the listing timetable. If the financial information for the year ended 31 December 2017 is required to be audited, the Company and the Reporting Accountants would have to carry out substantial work to prepare, update and finalise the Accountants' Report and this prospectus, and the relevant sections of this prospectus will need to be updated to cover such additional period. The Directors consider that the benefits of such work to the prospective investors of the Company may not justify the additional work and expenses involved and the delay in the listing timetable;

(b) the Directors and the Sponsor herein confirm that after performing all due diligence work which they consider appropriate, up to the date of the prospectus, save as the Listing expenses, there has been no material adverse change to the Company's financial and trading positions or prospects since 1 September 2017 (immediately following the date of the latest audited statement of financial position in the Accountants' Report set out in Appendix I to this prospectus) to the date of the prospectus and there has been no event which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this prospectus, the profit estimate for the year ended 31 December 2017 and the section headed "Financial Information" in this prospectus and other parts of this prospectus; and

(c) the Company is of the view that the Accountants' Report covering the three years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2017, together with the unaudited supplementary financial information and the profit estimate for the year ended 31 December 2017 included in this prospectus have already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of the Company; and the Directors and the Sponsor confirm that all information which is necessary for the investing public to make an informed assessment of the Company's business, assets and liabilities, financial position, trading position, management and prospects has been included in this prospectus. Therefore, the waiver and exemption would not prejudice the interests of the investing public.

An application has also been made to the to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules in relation to the inclusion of the Accountants' Report for the full financial year ended 31 December 2017 in this prospectus on the following grounds:

(a) the Directors and the Sponsor consider that after performing sufficient due diligence work, there has been no material adverse change in the financial and trading positions or prospect of the Group since 31 August 2017 up to 31 December 2017 and that there is no event which would materially affect the information contained in the Accountants' Report and the profit estimate of the Group in this prospectus. The Directors and the Sponsor consider that all information that is reasonably necessary for the potential investors to make an informed assessment of the activities or financial position of the Group has been included in this prospectus;

(b) the Directors and the Sponsor believe that a waiver from strict compliance with Rule 4.04(1) of the Listing Rules would not prejudice the interests of the investing public;

(c) the Company will be listed on the Stock Exchange within three months after 31 December 2017, being the latest financial year end of the Company;

(d) this prospectus contains a statement from the Directors that there has been no material adverse change to the financial and trading positions or prospect of the Group since 31 August 2017 (being the date of which the latest audited consolidated financial statement of the Group were made up) and up to 31 December 2017;

(e) in accordance with Guidance Letter HKEx-GL-25-11, an estimate of the consolidated profit of the Group for the year ended 31 December 2017 has been included in this prospectus. Investing public would thus be given some guidance as to the Company's financial performance for the year ended 31 December 2017; and

(f) the Company will publish its annual results and annual report within the time prescribed under the Rules 13.49(1) and 13.46(1) of the Listing Rules, respectively.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

The Share Offer is made solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Sponsor, the Sole Bookrunner, the Underwriters, any of their respective directors or affiliates of any of them or any other persons or parties involved in the Share Offer.

INFORMATION ON THE SHARE OFFER

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

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

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this prospectus or that the information in it is correct as of any subsequent time.

UNDERWRITING

This prospectus is published in connection with the Share Offer which is sponsored by the Sponsor and managed by the Sole Bookrunner. The Share Offer comprises the Public Offer and the Placing. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms and conditions of the Public Offer Underwriting Agreement. The Placing Underwriting Agreement relating to the Placing is expected to be entered into on or around 5 March 2018. For further information relating to the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE 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 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 in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The Public Offer Shares are offered to the public 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 Share Offer 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 the Company, the Sponsor, the Sole Bookrunner, the Underwriters, any of their respective directors or any other person involved in the Share Offer.

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.

The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exception therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer, and any Shares, up to 10% of the issued share capital of the Company as at the Listing Date, to be issued upon the exercise of any options which may be granted under the Share Option Scheme, on the Main Board.

Save as disclosed herein, no part of the Shares or loan capital of the Company is listed or dealt in on the Main Board or on any other stock exchange and at present, no such listing or permission to deal is being or is proposed to be sought on the Main Board or any other stock exchange in the near future.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The Share Offer is conditional on the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer, and any Shares, up to 10% of the Shares in issue as at the Listing Date, to be issued upon the exercise of the options which may be granted under the Share Option Scheme, on the Main Board. If such condition is not satisfied, the Share Offer will not take place, in which case an announcement will be made.

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

NO CHANGE IN BUSINESS

No change in the nature of the business of the Company immediately following the Spin-off and the Listing is contemplated.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. None of the Group, the Sponsor, the Sole Bookrunner, the Underwriters, or any of their respective directors, agents or advisers or any other person involved in the Share Offer accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of, dealing in, or exercising any rights in relation to, the Shares.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

The Company's principal register of members will be maintained by the principal share registrar in the Cayman Islands, Conyers Trust Company (Cayman) Limited. All Shares will be registered on the Company's Hong Kong branch register of members maintained by the Hong Kong Branch Share Registrar in Hong Kong, Union Registrars Limited. The Shares are freely transferable and only Shares registered on the Company's Hong Kong branch register of members maintained in Hong Kong may be traded on the Stock Exchange.

No stamp duty is payable by applicants in the Share Offer.

Dealings in the Shares registered on the Company's Hong Kong branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

PROCEDURES FOR APPLICATION FOR THE PUBLIC OFFER SHARES

The application procedures for the Public Offer Shares are set out in the section headed "How to apply for the Public Offer Shares" in this prospectus and on the relevant Application Forms.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

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

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Spin-off and the Listing become unconditional at 8:00 a.m. (Hong Kong time) on Friday, 16 March 2018, dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, 16 March 2018. Shares will be traded in board lots of 2,500 Shares each. The stock code of the Shares is 2363.

WEBSITES

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

ODD LOT ARRANGEMENTS

Trading of our Shares on the Main Board is in 2,500 Shares per board lot. Following completion of the Tongda Distribution, some of the Qualifying Tongda Shareholders may receive Shares in odd lot. The Company has appointed Sinomax Securities Limited at Room 2705-6, 27/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong as its agent to stand in the market to provide matching services for the odd lots of the Shares on a best effort basis, during the period from 9:00 a.m. on Friday, 16 March 2018 to 4:00 p.m. on Tuesday, 27 March 2018 (both days inclusive). Holders of odd lots of the Shares who wish to take advantage of these services either by selling their odd lots of Shares or acquiring additional Shares to a board lot of 2,500 Shares may contact Mr. Sy Man Chiu at telephone number (852) 3107 8728 or by email at **sy@sinomaxsec.com.hk** during the aforesaid period. Holders of odd lots of the Shares should note that the above matching services are on a best effort basis only and successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. Shareholders who are in doubt about such matching services are recommended to consult their own professional advisers.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of, governmental authorities, institutions, natural persons, other entities or patent names included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain RMB or USD into Hong Kong dollars, respectively at specified rates. You should not construe these translations as representations that the RMB or USD could actually be converted into any Hong Kong dollar amounts (as the case may be) at the rates indicated or at all.

ROUNDING

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

DIRECTORS

Name	Residential address	Nationality
Executive Directors		
Mr. Wong Ming Li (王明利)	Room 1804, Unit 2, Block 10 Jingrun Yuan Donghu Jinghua Community No. 111 Dongnan Avenue Southeast Economic Development Zone Changshu Jiangsu Province PRC	Chinese
Mr. Wong Ah Yu (王亞榆)	Flat C, 8th Floor 2 Comfort Terrace North Point Hong Kong	Chinese
Mr. Wang Ming Zhi (王明志)	Room 301 No. 21 Nanxin Road Shajiabang Town Changshu Jiangsu Province PRC	Chinese
Non-executive Director		
Mr. Wang Ya Nan (王亞南)	Flat C, 12th Floor Celestial Garden 5 Repulse Bay Road Repulse Bay Hong Kong	Chinese
Independent non-executive Directors		
Ms. Leung Pik Kwan (梁碧君)	Flat D, 18th Floor 49 Broadway Mei Foo Sun Chuen Lai Chi Kok Kowloon Hong Kong	Chinese

Name	Residential address	Nationality
Mr. Sun Wai Hong (孫偉康)	Flat 11, 21st Floor Po Tak House Po Lam Estate Tseung Kwan O New Territories Hong Kong	Chinese
Mr. Wu Kin San Alfred (胡健生)	Flat A, 3rd Floor Block 34 Laguna City Lam Tin Kowloon Hong Kong	British

For further information on the background of the Directors, please refer to the section headed "Directors and senior management" in this prospectus.

PARTIES INVOLVED IN THE LISTING

Sponsor	**Messis Capital Limited** *A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO* Room 1606, 16th Floor Tower 2, Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
Sole Bookrunner	**Sinomax Securities Limited** *A licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO* Room 2705-6, 27th Floor Tower One, Lippo Centre 89 Queensway Hong Kong

Joint Lead Managers and Underwriters	**Sinomax Securities Limited** *A licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO* Room 2705-6, 27th Floor Tower One, Lippo Centre 89 Queensway, Hong Kong
	Sinolink Securities (Hong Kong) Company Limited *A licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO* Units 2505-06, 25th Floor Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
	RHB Securities Hong Kong Limited *A licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO* 12th Floor, World-Wide House 19 Des Voeux Road Central Hong Kong
	Changjiang Securities Brokerage (HK) Limited *A licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 5 (advising on futures contracts) regulated activities under the SFO* Suite 1908, 19th Floor, Cosco Tower 183 Queen's Road Central Hong Kong
Legal advisers to the Company	*As to Hong Kong law:* **Michael Li & Co.** *Solicitors, Hong Kong* 19th Floor, Prosperity Tower 39 Queen's Road Central Central Hong Kong

	As to PRC law: **Hills & Co.** *PRC attorneys-at-law* 11th Floor, Central Business Building No. 88 Fu Hua 1st Road Fu Tian Central District Shenzhen Guangdong Province PRC
	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 Sponsor, the Sole Bookrunner and the Underwriters	*As to Hong Kong law:* **Loeb & Loeb LLP** *Solicitors, Hong Kong* 21st Floor, CCB Tower 3 Connaught Road Central Hong Kong
	As to PRC law: **DeHeng Law Offices (Shenzhen)** *PRC attorneys-at-law* 11/F, Section B, Anlian Plaza 4018 Jintian Road Futian District Shenzhen Guangdong Province PRC
Auditors and reporting accountants	**Ernst & Young** *Certified Public Accountants* 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Industry consultants	**China Research and Intelligence Company Limited** 7K, West Building No. 668, Beijing East Road, Huangpu Shanghai, 200001 PRC
	China Insights Consultancy 10/F, Tomorrow Square 399 West Nanjing Road Huangpu District, Shanghai PRC
Receiving bank	**Standard Chartered Bank (Hong Kong) Limited** 15/F, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman, KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Room 1203, 12th Floor Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
Company's website address	www.tongdahongtai.com *(information contained in this website does not form part of this prospectus)*
Company secretary	Ms. Lam Siu Wa *FCIS, FCS* Flat K, 33rd Floor, Block 12 Saddle Ridge Garden Ma On Shan New Territories Hong Kong
Authorised representatives	Mr. Wang Ya Nan Flat C, 12th Floor Celestial Garden 5 Repulse Bay Road Repulse Bay Hong Kong Mr. Wong Ming Li Room 1804, Unit 2, Block 10 Jingrun Yuan Donghu Jinghua Community No. 111 Dongnan Avenue Southeast Economic Development Zone Changshu Jiangsu Province PRC
Members of audit committee	Ms. Leung Pik Kwan *(Chairman)* Mr. Sun Wai Hong Mr. Wu Kin San Alfred
Members of remuneration committee	Ms. Leung Pik Kwan *(Chairman)* Mr. Sun Wai Hong Mr. Wu Kin San Alfred
Members of nomination committee	Mr. Wang Ya Nan *(Chairman)* Ms. Leung Pik Kwan Mr. Sun Wai Hong Mr. Wu Kin San Alfred

Compliance adviser	**Messis Capital Limited** *A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO* Room 1606, 16th Floor Tower 2, Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
Principal bankers	**HSBC Bank (China) Company Limited Changshu Sub-Branch** Room 101-3, Innovative Science & Technology Center No. 333 Dongnan Avenue Southeast Economic Development Zone Changshu Jiangsu Province PRC **China Construction Bank Changshu Branch** 34 North Hai Yu Road Changshu Jiangsu Province PRC **Bank of Tokyo-Mitsubishi UFJ (China), Ltd., Suzhou Branch** 15th Floor, Guangrong Building No. 289 East Suzhou Avenue Suzhou Industrial Park Suzhou Jiangsu Province PRC
Principal share registrar and transfer office	**Conyers Trust Company (Cayman) Limited** Cricket Square Hutchins Drive P.O. Box 2681 KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	**Union Registrars Limited** Suites 3301-04, 33/F Two Chinachem Exchange Square 338 King's Road North Point Hong Kong

Certain information and statistics provided in this section is derived from various official and publicly available sources. Besides, certain information and statistics set forth in this section have been extracted from market research reports commissioned by the Group and prepared by CRI and CIC, both are independent market research institutions. The Company has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading in any material respect. The information in this section may not be consistent with or may not have been compiled with the same degree of accuracy or completeness as statistics or other information compiled elsewhere. The information has not been independently verified by the Company, the Sponsor, the Sole Bookrunner, the Underwriters or any other party involved in the Share Offer or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information. As at the Latest Practicable Date, the Directors confirmed that they were not aware of any adverse change to the market information since the data of Industry Reports which may qualify, contradict or have an impact on the information in this section.

SOURCE OF INFORMATION

The Group commissioned CRI and CIC to conduct an analysis of, and to report on, the notebook and tablet casings industry in the PRC from 2014 to 2019. The Industry Reports have been prepared by CRI and CIC independent of the Group's influence and none of the Directors or their associates has any interest in CRI and CIC. A total fee of HK$632,000 was paid to CRI and CIC for preparation of the Industry Reports. The payment of such amount was not conditional on the Group's successful listing or on the results of the Industry Reports.

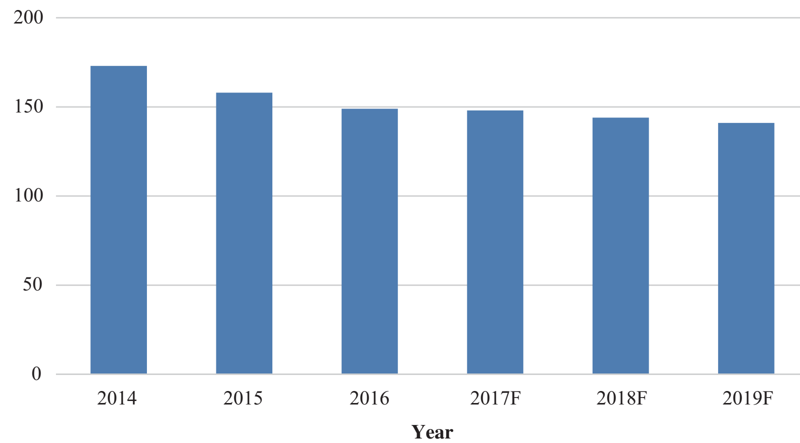
CRI and CIC are research and consulting companies focusing on various industries and markets. They provide customised industry research services for initial public offerings, corporate mergers and acquisitions, business development, market launch and financing for clients varying from private companies to the government entities. The information contained in the Industry Reports were derived from data and intelligence collected from various sources which include but not limited to government and regulatory statistics, industry association reports and data obtained from interviews with manufacturers, distributors, experts and customers in related sectors.

In compiling and preparing the Industry Reports, CRI and CIC have both adopted the following assumptions: (i) the PRC's economy is expected to maintain steady growth; (ii) the PRC's overall social, economic, and political environment is expected to remain stable; (iii) there will be no external shock, such as financial crisis or raw material shortage that affects the demand and supply of notebook and tablet casing material in the PRC; and (iv) key market drivers that partly offset the downward pressure on the growth of notebook and tablet casing shipments, such as increase in per capita disposable income, rapid urbanisation, low per capita consumption compared to developed countries, accelerating computer and tablet upgrade to boost the development of the PRC notebook and tablet casing market.

OVERVIEW OF GLOBAL NOTEBOOK AND TABLET INDUSTRY

Global notebook industry

Worldwide notebook shipment volume, 2014-2019F (million units)



Source: *CRI*

Note: The letter "F" denotes forecasted figures. CRI classifies convertible 2-in-1 devices as notebooks. Convertible 2-in-1 devices refer to devices with the ability to hide the keyboard, rotating, folding or sliding it behind or within a chassis.

Notebooks can be classified as standard notebooks, gaming notebooks, netbooks, convertible 2-in-1 notebooks and ultrabooks. As shown in the chart above, the worldwide shipment volume of notebook decreased from approximately 173 million units in 2014 to approximately 149 million units in 2016, representing a negative CAGR of approximately 7.2% and is expected to decrease slightly from 2017 onwards, at a negative CAGR of approximately 2.4% till 2019. The trend of decreasing shipments of notebooks is primarily caused by the change in customer's internet surfing habit. The constantly improving performance of smart phones in terms of processing speed, screen display details, battery life, etc., as well as the mobile internet connectivity has driven consumers to increasingly adopt mobile phones for internet surfing. Besides, detachable tablets have also driven customers away from low-end notebooks. Substitution between notebook, tablet and smart phone is particularly significant from the lower end of the market where consumers only demand a device that can serve their basic needs of internet surfing.

Despite the overall negative growth of shipment of notebooks, gaming notebooks and business notebooks with higher performances are expected to remain the two fastest growing markets. The growing number of gamers has raised the demand for gaming dedicated, high-performance notebooks. Global shipment of gaming notebooks is expected to increase at a CAGR of over 10.0% between 2017 and 2021. Besides gaming notebooks, ultrabooks represent another growing segment. The growth of ultrabook shipments has been fuelled by the stably increasing business demand for notebooks coupled with the consumer's growing preference for thinner and lighter design of notebooks. It is expected that ultrabooks will maintain a CAGR of over 5.0% between 2017 and 2021.

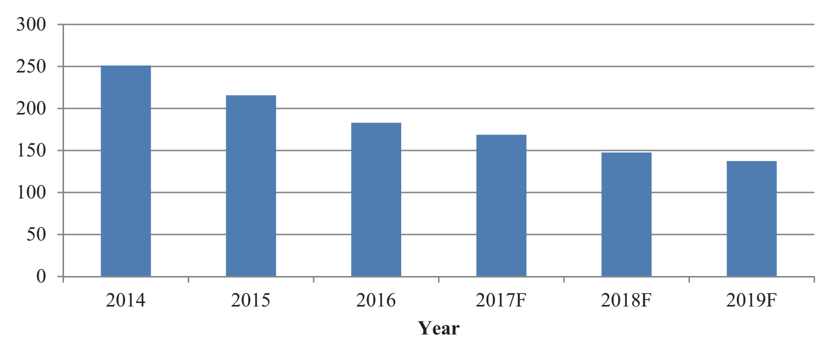
The CRI Report also mentions that China and the Asia Pacific region are expected to be a key driver of notebook sales from 2017 onwards.

International notebook brand owners

According to the CRI Report, the global notebook market is concentrated in the top five brand owners, accounting for approximately 76.7% and approximately 81.2% of market share in terms of shipment volume in 2015 and 2016 respectively, with an increase of approximately 4.5 percentage points. Lenovo and HP were the global best sellers in terms of shipment volume in 2015 and 2016 respectively, with market share of approximately 22.2% and 24.2% respectively. In 2015, the top five notebook brand owners were Lenovo, HP, Dell, Apple and Asus, accounting for approximately 22.2%, 20.9%, 13.3%, 10.8% and 9.5% of market share in terms of worldwide shipment volume respectively. In 2016, the ranking of top 5 notebook brand owners changed to HP, Lenovo, Dell, Asus and Apple, with market share in terms of global shipment volume of 24.2%, 22.1%, 16.1%, 10.1% and 8.7% respectively.

Global tablet industry

Worldwide tablet shipment volume, 2014-2019F (million units)



Source: *CRI*

Note: The letter "F" denotes forecasted figures. CRI classifies detachable 2-in-1 devices as tablets. Detachable 2-in-1 devices refer to devices with detachable keyboards.

Tablets can be classified as standard tablets and detachable 2-in-1 devices. According to the CRI Report, the global shipment volume of tablets decreased from approximately 251 million units in 2014 to approximately 183 million units in 2016, which represents a negative CAGR of approximately 14.6% and is expected to have downturn from 2017 onwards, at a negative CAGR of approximately 10% till 2019. Of the two types of tablets, standard tablets were the main reason behind the fall of global tablet shipments. Standard tablets, which are those without a dedicated keyboard, are losing market shares, given the quickly rising smart phones. However, detachable 2-in-1 devices, those offering a keyboard that can be completely detached, are seen to have a greater growth potential. Since this type of tablet keeps the advantage of portability and offers better functionality with a keyboard, major tablet brands, such as Samsung and Lenovo, have started to offer detachable 2-in-1 devices in their product lines.

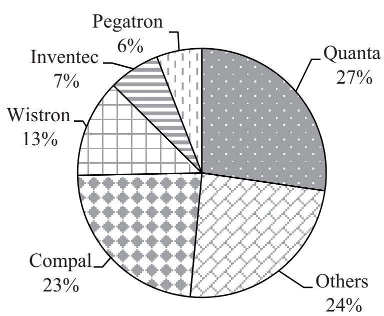
International tablet brand owners

According to the CRI Report, the global tablet market is concentrated in the top five brands owners, with approximately 49.6% and approximately 50.8% of market share in terms of the worldwide shipment volume in 2015 and 2016 respectively. Apple was the best seller in 2015 and 2016 with over 20% market share in terms of global shipment volume for two consecutive years. The top five tablet brand owners in 2015 were Apple, Samsung, Lenovo, Amazon and Asus, with market share in terms of worldwide shipment volume of approximately 22.3%, 15.3%, 5.6%, 3.3% and 3.3% respectively. The ranking of top five brand owners in 2016 was the same as that in 2015, with market share in terms of worldwide shipment volume of 22.9%, 14.2%, 5.5%, 5.5% and 2.7% respectively.

OVERVIEW OF OEM INDUSTRY

Notebook OEMs

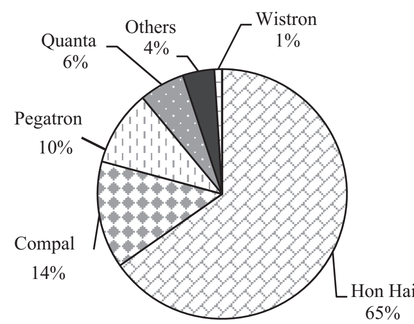
Worldwide notebook OEMs market share by shipments in 2016



Source: *CRI*

Tablet OEMs

Worldwide tablet OEMs market share by shipments in 2016



Source: *CRI*

OEMs serve notebook and tablet brand owners by sourcing notebook's and/or tablet's components and assembling notebooks and tablets. Reference is made to the CRI Report, Quanta and Compal are the top two OEMs for production of notebook in the world, with approximately 50% of total global shipment volume in 2016. In terms of global tablet production, Hon Hai is ranked the top in 2016. Different OEMs serve various notebook and/or tablet brand owners. The table set out below illustrates the major business partners of the OEMs:

OEMs / Brand owners	Acer	Amazon	Apple	Asus	Dell	Google	HP	Lenovo	Microsoft	Toshiba
Compal	▲■	■	■	▲	▲		▲■	▲■		▲
Hon Hai			▲■				▲			
Inventec	▲						▲			▲
LCFC								▲		
Pegatron	▲			▲■				■	■	▲
Quanta	▲		▲	▲	▲	■	▲	▲		▲
Wistron	▲			▲	▲		▲	▲■		

Note: CRI classifies detachable 2-in-1 devices as tablet and convertible 2-in-1 devices as notebooks.

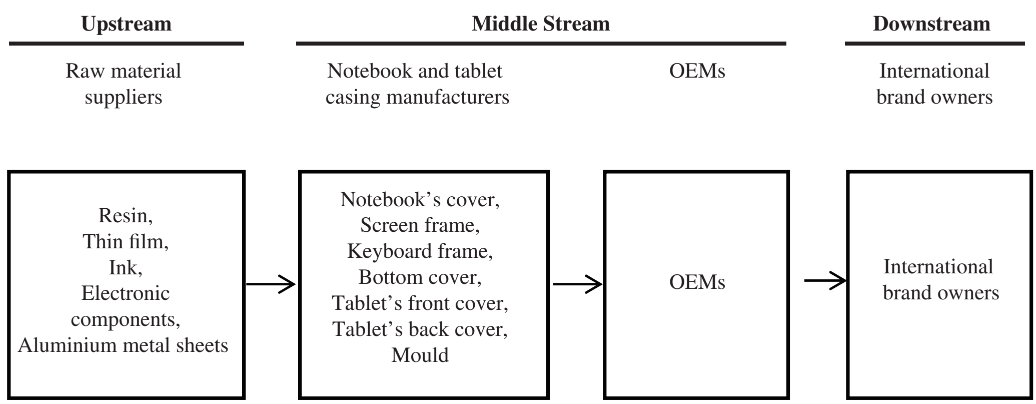
▲ *OEMs for production of notebook.*

■ *OEMs for production of tablet.*

As shown in the above table, it is given to understand that notebook and tablet brand owners outsource their production lines to several OEMs in order to minimise the risk of supply shortages. To ensure the product quality, brand owners require those OEMs to select notebook parts' and components' manufacturers from a list of qualified manufacturers. Brand owners conduct regular site visits to those selected manufacturers and review the human resources, production capacity, product quality and other production-related procedures.

OVERVIEW OF NOTEBOOK AND TABLET CASING INDUSTRY

The diagram below sets out the relationship between the upstream, middle steam and downstream players in the notebook and tablet casing industry.



Raw material suppliers – produce or purchase various raw materials, including resin, thin film, ink, electronic components, aluminium metal sheets, and etc.

Notebook and tablet casing manufacturers – produce four parts for each notebook casing and two parts for each tablet casing and sell their products to OEMs for notebooks and tablets assembly. Generally, these manufacturers act as "one-stop" manufacturing solution providers – they provide the one point of contact for the whole production process (including the design of manufacturing solutions, mould fabrication, plastic injection moulding, surface decoration, metal tooling and stamping and assembly).

OEMs – assemble casings, electronic components, display screens and other components for producing notebooks and/or tablets. According to the CRI Report, there are five major OEMs in the world (all Taiwan companies), accounting for approximately 76% of the global market share in terms of shipment volume in 2016.

International brand owners – sell their products globally to end users. According to the CRI Report, the top five notebook brand owners and the top five tablet brand owners accounted for approximately 81.2% and approximately 50.8% respectively of global market share in terms of notebook shipment volume and tablet shipment volume in 2016.

DIFFERENTIATION OF NOTEBOOK AND TABLET CASING MARKET WITH HANDSET CASING MARKET

1. INDUSTRY PERSPECTIVE

(A) Brand owners of (i) handset and (ii) notebook and tablet

The tables below set out the market shares and shipment breakdown of the respective global leading brand owners of (i) handset and (ii) notebook and tablet:

Table 1: Market shares and shipment breakdown of leading *handset brand owners*, Global, 2017H1

Brand owner	**Market share in terms of handset shipment** *(%)*	**Notebook/tablet shipment as a percentage of notebook/tablet and handset shipment** *(Note 2)* *(%)*	**Handset shipment as a percentage of notebook/tablet and handset shipment** *(Note 1)* *(%)*
Samsung	23.1%	8%	92%
Apple	13.5%	23%	77%
Huawei	10.6%	8%	92%
OPPO	8.1%	0%	100%
Vivo	6.8%	0%	100%
Xiaomi	5.3%	2%	98%
LG	4.1%	4%	96%
ZTE	3.5%	0%	100%
Others	25.0%		
Total	100.0%		

Table 2: Market shares and shipment breakdown of leading *notebook and tablet brand owners*, Global, 2017H1

Brand owner	**Market share in terms of notebook and tablet shipment** *(%)*	**Notebook/tablet shipment as a percentage of notebook/tablet and handset shipment** *(Note 2)* *(%)*	**Handset shipment as a percentage of notebook/tablet and handset shipment** *(Note 1)* *(%)*
Apple	18.5%	23%	77%
Lenovo	13.1%	46%	54%
HP	12.1%	100%	0%
Dell	8.5%	100%	0%
Samsung	8.5%	8%	92%
ASUS	5.8%	71%	29%
Acer	4.4%	100%	0%
Amazon	3.0%	100%	0%
Others	26.1%		
Total	100.0%		

Source: CIC

Notes:

1. Calculated based on the shipment volume of handset divided by the total shipment volume of notebook and tablet and handset of the respective brand owner.

2. Calculated based on the shipment volume of notebook and tablet divided by the total shipment volume of notebook and tablet and handset of the respective brand owner.

As shown in the above tables, it is noted that, with the exception of three renowned international brands, Apple, Samsung and Lenovo, the rest of the leading handset brands and notebook and tablet brands (which accounted for approximately 75.0% and 73.9% of the shipment in their respective markets in the first half of 2017) showed limited extent of overlapping, as evidenced by (i) the shipment volume of handset of the leading handset brand owners contributed over 92% of the respective total shipment volume of notebook and tablet and handset; and (ii) the shipment volume of notebook and tablet of the leading notebook and tablet brand owners contributed over 71% of the respective total shipment volume of notebook and tablet and handset. The reason for such extent of overlapping of brand owners is mainly attributable to their large operation scale with abundant resources to develop across the consumer electronic businesses, in order to achieve diversification of business risks.

Firstly, Apple and Samsung appeared as leading players in both notebook and tablet market and handset market. However, it is worth mentioning that Apple is less comparable to other handset brands considering (i) its own unique operating system that integrates and synchronises the development of a variety of product types and related software services, and (ii) its long established brand name. Apple has long been a pioneer in innovating products. Its highly recognised reputation in innovation gives the company a branding advantage in expanding into different product markets. More importantly, the supply chain of casing products for Apple has developed separately in terms of technology and business strategies from that for non-Apple brands which offer Windows-based and Android-based products. As the Group only supplies casings for non-Apple brands, the overlapping issue for Apple and its suppliers is believed to be irrelevant to the Group's market landscape. Accordingly, the Group currently focuses to serve the remaining notebook and tablet brand owners, which represented market share of approximately 81.5%.

Though Samsung's market share in the notebook and tablet market is much smaller than that in the handset market, Samsung is still a leading brand owner in both markets. Samsung achieves the leading position in both markets was primarily due to the facts that (i) it is the largest listed enterprise in Korea which almost accounted for 20% of the country's GDP and thus Samsung has a strong motive and capability to develop a diverse business portfolio engaging in various industries included but not limited to consumer electronics; (ii) Samsung owns a broad supply chain which enables the company an unparalleled advantage in developing a comprehensive line of products; and (iii) Samsung's leadership in semiconductor industry allows the company to develop its own mobile processors, memory chips, and storage disk products for both handset and/or notebook and tablet.

Secondly, as shown in the above Table 2, although Lenovo appears to have a similar proportion in its handset shipment volume and notebook and tablet shipment volume, Lenovo's handset business was supported by Motorola, which is an international handset brand and acquired by Lenovo in late 2014. Should its handset shipment volume under Motorola be excluded, the proportion of Lenovo's shipment volume of its respective notebook and tablet business and handset business will be approximately 72% and 28% respectively. As a traditional leading notebook and tablet brand owner, it is believed that Lenovo expanded to the handset business through acquisition of other established brands may suggest a diversification of business risks. As the average unit price of Lenovo's notebook and tablet are approximately 3 to 4 times higher than its handsets, revenue from the notebook and tablet business contributed to approximately 40% of its total revenue as the largest product segment, while the rest of its revenue was aggregately generated from desktop computers, handsets, data centre services and others. Thus it is concluded that Lenovo is focused on its notebook and tablet business.

Having considered (i) Apple branded products as a separate market with a unique supply chain; (ii) the distinguishing characteristic of Samsung; (iii) Lenovo generates revenue mainly from its notebook and tablet business; and (iv) the overlapping of such brand owners over the both markets was mainly attributable to their large operation scale with abundant resources to develop across the consumer electronic businesses and to achieve diversification of business risks, it is therefore considered that the extent of overlapping between brand owners appeared to be limited and the remaining market players concentrate on either the notebook and tablet market or the handset market.

Opportunities and threats in (i) handset market and (ii) notebook and tablet market

The abovementioned business concentration of leading brand owners is driven by the different industry opportunities and threats in each of the (i) handset market; and (ii) notebook and tablet market. Notebooks and tablets are, for example, moving into the age of gaming (e.g. gaming notebook) and professional application (e.g. tablets for class education). Handsets, on the other hand, are steadily replacing cameras due to continuous advancement in lens and optical technology. The enhancement of processing speed of the chips and resolution of the screen also enables handsets to run VR and AR applications and games with more comfortable user experiences.

It is noted that the two markets confront different threats. For notebooks and tablets, in addition to the threat from handsets, other smart devices are gradually replacing certain functions of notebooks and tablets. For example, users are able to access rich online video resources and enjoy a better watching experience through smart TVs, as compared with notebooks or tablets. Handsets, on the other hand, face threats from wearable devices such as smart watches and smart glasses which are more portable and have better user interaction than handsets. As such, it is suggested that different market strategies have always been applied for each of the two businesses to seize different opportunities and to address different risks.

(B) Casing manufacturers of (i) handset and (ii) notebook and tablet

The tables below set out the market shares and shipment breakdown of the respective global casing manufacturers of (i) handset and (ii) notebook and tablet:

Table 3: Market shares in terms of shipment and casing revenue breakdown for leading *notebook and tablet casings manufacturers*, Global, 2017H1

		Shipment	Market share	Notebook/ tablet casing revenue as a percentage of total casing revenue *(Note 2)*	Handset casing revenue as a percentage of total casing revenue *(Note 1)*
		(Million units)	*(%)*	*(%)*	*(%)*
1.	Ju Teng International Holdings Ltd.	21.9	14.4%	99.1%	0.9%
2.	Catcher Technology Co., Ltd.	14.2	9.3%	76.4%	23.6%
3.	Casetek Holdings Ltd.	6.7	4.4%	72.2%	27.8%
4.	The Group	2.3	1.5%	100.0%	0.0%
5.	Suzhou Victory Precision Manufacture Co., Ltd.	2.2	1.4%	58.2%	41.8%
	Top 5 total	47.3	31.0%		

Note: The rest of the notebook and tablet casings market is highly fragmented given the 8th largest manufacturer contributed less than 1% of total shipment and statistics of more "top" market players with even lower market shares may not be representative examples to illustrate the industry norm. The more fragmented competition landscape, compared to the handset casing market, is mainly attributable to the popularity of using plastic materials. These materials require a lower manufacturing capability and cost than metal materials.

Table 4: Market shares in terms of shipment and casing revenue breakdown for leading *handset casings manufacturers*, Global, 2017H1

		Shipment	Market share	Notebook/ tablet casing revenue as a percentage of total casing revenue *(Note 2)*	Handset casing revenue as a percentage of total casing revenue *(Note 1)*
		(Million units)	*(%)*	*(%)*	*(%)*
1.	BYD Electronic (International) Company Ltd.	113.1	16.4%	10.0%	90.0%
2.	Hon Hai/Foxconn Technology Co., Ltd.	85.7	12.4%	13.2%	86.8%
3.	Dongguan Jinsheng Precision Component Co, Ltd.	49.8	7.2%	10.0%	90.0%
4.	Tongda Group	47.0	6.8%	0.0%	100.0%
5.	Shenzhen Everwin Precision Technology Co, Ltd.	22.8	3.4%	0.0%	100.0%
6.	Jabil Group	22.5	3.3%	11.0%	89.0%
7.	AAC Technologies (AAC)	9.5	1.4%	0.0%	100.0%
8.	Catcher Technology Co., Ltd.	7.5	1.1%	76.4%	23.6%
9.	Casetek Holdings Ltd.	5.8	0.8%	72.2%	27.8%
10.	Kunshan Kersen Science & Technology Co., Ltd	5.8	0.8%	0.0%	100.0%
	Top 10 total	369.5	53.6%		

Source: *CIC*

Notes:

1. Calculated based on revenue from handset casings divided by the total revenue from notebook and tablet casings and handset casings of the respective manufacturer.

2. Calculated based on the revenue from notebook and tablet casings divided by the total revenue from notebook and tablet casings and handset casings of the respective manufacturer.

As shown in the above Table 3, it is worth mentioning that (i) Suzhou Victory Precision Manufacture Co., Ltd. (“**Suzhou Victory**”); (ii) Catcher Technology Co., Ltd. (“**Catcher**”); and (iii) Casetek Holdings Ltd. (“**Casetek**”) are manufacturing both types of casing due to certain unique factors.

Suzhou Victory is traditionally engaged in the business of TV casings. The experience in producing large casings allowed Suzhou Victory to have an advantage in developing notebook casings. Another important advantage of Suzhou Victory in developing both product lines is the company’s capability of mould manufacturing. The capability of mould manufacturing gives Suzhou Victory a manufacturing flexibility and cost advantage in developing different products. It is noted that the revenue contribution of each of its notebook and tablet casing business and handset casing was both relatively insignificant, representing approximately 7.1% and 5.1% of its total revenue, respectively. The rest of the revenue was generated from its other businesses such as TV casings, moulds, smart device distribution, etc. Accordingly, Suzhou Victory is not considered as a direct competitor of the Group in the notebook and tablet casing market.

On the other hand, as shown in the Tables 3 and 4 above, Catcher and Casetek are major suppliers for both types of casing of Apple. Unlike other brand owners in the handset market, Apple is the only brand owner which has relatively similar high level of market share in both the handset market and the notebook and tablet market. In addition, Apple, compared to other brand owners, has a higher requirement on major suppliers’ manufacturing capability and flexibility to serve a broad range of its products in order to achieve a more effective quality control.

Having considered the above unique factors of the abovementioned overlapping market players, other leading players in each of the notebook and tablet casing market and the handset casing market tend to concentrate on their main businesses. The tendency of concentrating on notebook and tablet casings business is particularly evident for the largest manufacturer, Ju Teng International Holdings Ltd. which generated over 99.0% of its casing revenue from notebook and tablet casings in the first half of 2017. Since the rest of the notebook and tablet casing market is rather fragmented, smaller manufacturers other than the top 5 manufacturers are even more likely to concentrate on notebook and tablet casings business due to the limited manufacturing capacity.

In the handset casing market, except for Catcher and Casetek being suppliers of Apple, the majority of the top 10 handset casing manufacturers tend to concentrate on the handset casings business, as evidenced by the revenue generated from their handset casing business contributed over 85% of the respective total revenue from both casings.

Conclusion

As shown in the above Tables 1 to 4, save for the extreme cases as explained above, the leading brand owners and the leading casing manufacturers of each (i) notebook and tablet and (ii) handset concentrate on either the notebook and tablet market or the handset market respectively. Accordingly, there is limited extent of overlapping and it is an industry norm to differentiate the two sub-segments in both demand and supply sides.

2. BUSINESS PERSPECTIVE

Dimension	Key differentiation	Handset casing	Notebook and tablet casing	Key implications for notebook and tablet casing manufacturers
Growth prospect of end products	Growth in shipment volume	Expected to maintain a trend of stable growth	Expected to follow a trend of negative growth	Notebook and tablet casing manufacturers are urged to expand their market share in order to counter the industry's downward trend.
	Drivers related to the consumers' changing preferences and behaviours	• Consumers wish to have handsets that are more powerful, compact, sleek, and have better touch feelings	Notebook and tablets are becoming more specialised in terms of their applications in areas such as office work, games, design work and for reading materials as they are still easier to use given their larger screens and keyboards.	
Casing products	Mainstream materials	Current • Aluminium alloy, Stainless steel Future • Glass (e.g. 2D, 2.5D, 3D), Ceramics	Current • PC, ABS, Aluminium alloy Future • Aluminium alloy, Carbon fibre	Manufacturers use different processing equipment to meet the specialised requirements of their client such as materials, sizes and strength of the casings. As a result, the industry know-how and production expertise of the respective products are rather distinct.
	Sizes and structures	• Range from about 4.7 to 6.0 inches in terms of size • Require relatively less strength and stiffness	• Range from about 10.0 to 17.0 inches in size for notebook • Range from about 6.0 to 11.0 inches in size for tablet • Requires relatively more strength and stiffness	
Downstream clients	Responsiveness period to new solution demand	About 6 months	About 1 year	Notebook and tablet casing manufacturers need to invest more in upgrading their overall capabilities. This will enable them to deliver casings of higher quality but at competitive price in order to survive the intensifying competition.
	Price sensitivity	Customers' price sensitivity remains stable	Customers are increasingly price sensitive	
	Top 5 brand owners	Samsung, Apple, Huawei, OPPO and Vivo	• For notebooks: HP, Lenovo, Dell, Asus and Acer • For tablets: Apple, Samsung, Lenovo, Amazon and Asus	
Upstream industry suppliers	Raw material	Increasing use of glass substrate and ceramic powder	Increasing use of aluminium alloy sheet and polyacrylonitrile powder	Notebook and tablet manufacturers and handset manufacturers are using different types of raw materials.

Source: *CIC*

Amongst the key differences between the (i) notebook and tablet casing market and (ii) handset casing market as shown in the table above, the differentiation of brand owners in the two markets is mostly driven by the different required technologies in production, unique brand recognition by consumers, and divergence of design and technological development of the end products.

The difference in market environment and growth prospects between the notebook and tablet casing manufacturing industry and handset casing manufacturing industry give rise to distinct business strategies and directions. The handset casing market is undergoing rapid advancement in the use of new materials and manufacturing process where manufacturers are required to invest heavily in research and development to stay competitive. In contrast, the notebook and tablet casing market is undergoing market consolidation where manufacturers are required to expand production capacity and capture market shares by providing increasingly high quality casing products at competitive prices.

THE PRC NOTEBOOK AND TABLET CASING MARKET

Competitive landscape of PRC notebook and tablet casing market

The PRC notebook and tablet casing industry is highly fragmented, with numerous manufacturers since the majority of market players are white-label manufacturers (i.e. privately owned by small to medium enterprises). Set out below are the market shares ranking tables of the major players in the notebook and tablet casing industry in the first half of 2017 based on global notebook and tablet casings shipment volume.

Company	Global market share in notebook casing industry for the major players in the PRC in the first half of 2017 *(Approximately)*
Ju Teng International Holdings Ltd.	20.3%
Catcher Technology Co., Ltd.	5.2%
Casetek Holdings Limited	4.7%
The Group	2.8%
Suzhou Victory Precision Manufacture Co., Ltd.	1.0%

According to the CRI Report, the Group is one of the major players in the notebook casing industry, with market share in terms of global notebook casings shipment volume of approximately 1.3%, 1.7%, 2.6% and 2.8% for 2014, 2015, 2016 and first half of 2017, respectively.

Company	Global market share in tablet casing industry for the major players in the PRC in the first half of 2017 *(Approximately)*
Catcher Technology Co., Ltd.	13.7%
Ju Teng International Holdings Ltd.	8.2%
Casetek Holdings Limited	4.1%
Suzhou Victory Precision Manufacture Co., Ltd.	1.4%
ShengMei Precision Industrial (Kunshan) Co., Ltd	1.0%

The Group accounted for approximately 0.2% and 0.1% of market share in terms of global tablet casings shipment volume for 2016 and first half of 2017 respectively.

Major components of notebook and tablet casing

Notebook casing manufacturers mainly produce four parts for each notebook casing, namely the notebook's cover, screen frame, keyboard frame and bottom cover. Among these four parts, producing the bottom cover requires the highest technical know-how and accuracy, and thus, the selling price of the bottom cover is the highest comparing with the other three parts.

Tablet casing manufacturers mainly produce two parts of tablet casing, namely front cover and back cover. The selling price of the back cover is higher than that of front cover as the techniques used in back cover production are more advanced.

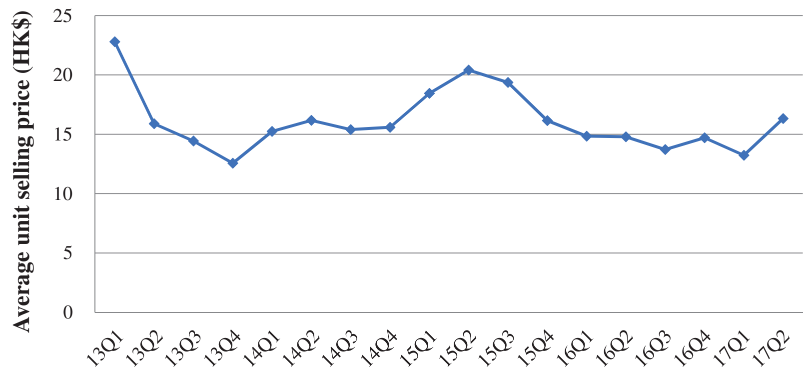
Major decorative moulding techniques used in producing notebook and tablet casings

The table sets out the major decorative moulding methods commonly used in the notebook and tablet casing manufacturing industry:

Decorative moulding techniques	Descriptions
IML	• A method of placing the patterns and logos in the middle layer of the casing by putting a designed film into the plastic injection mould
	• Longer preservation time for the casings
IMR	• A method of placing the patterns and logos in the surface layer of the casing by pressing the object during the injection phase
	• Relatively short preservation time for the casings
LMF	• A method of placing the patterns and colours in the middle layer of the metal casing
Rapid heat cycle moulding	• A method of rapidly heating and then cooling of the casing
	• Producing glossy or silky surfaces
Spray painting	• A conventional decoration technique to cover the surface of the products
Double-shot injection	• A production method by using two kinds of colours or two different types of resins
	• Enhancing the product's appearance

Historical price trend of the Group's products

Average unit selling price per quarter of the Group from first quarter in 2013 to second quarter in 2017

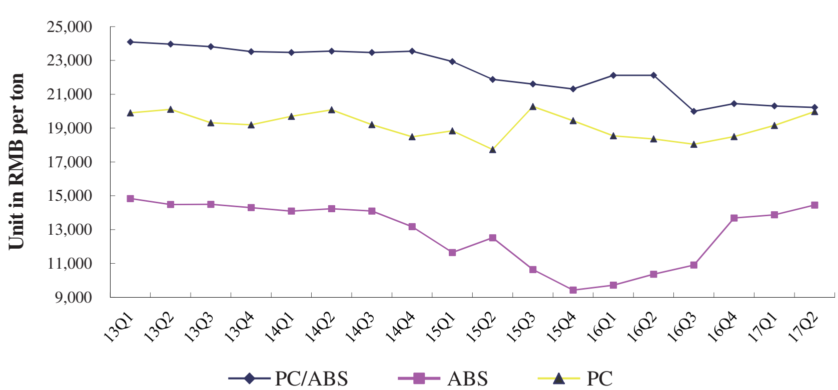


The prices of the notebook and tablet casings can vary significantly with different specification requested by brand owners including the use of materials and decorative requirements. The price of a casing is generally negotiated project by project on a cost plus basis between the manufacturer and the OEMs and is affected by factors including urgency of the order and production capacity of the manufacturer. The average unit selling price of the Group's products were HK$15.6, HK$18.3, HK$14.4 and HK$15.4 for the three years ended 31 December 2016 and for the eight months ended 31 August 2017, respectively.

KEY RAW MATERIALS PRICE TREND AND ANALYSIS

Plastic notebook and tablet casing raw materials

Average price of PC, ABS and PC/ABS per quarter in the PRC, from first quarter in 2013 to second quarter 2017



Source: *CRI*

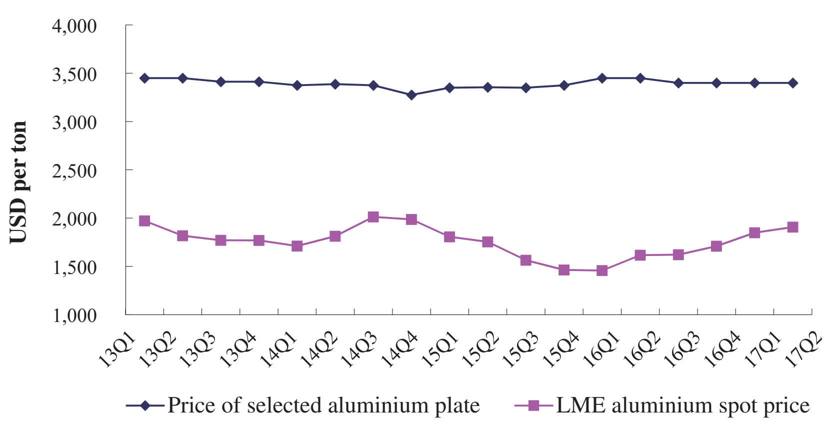
Note: Since there are many types of PC, ABS and PC/ABS materials in the PRC's market, the graph only shows the prices of commonly used PC, ABS and PC/ABS materials by the Group. Furthermore, PC/ABS is a unique type of ABS and does not have any publicly available price information.

The prices of the major raw materials used in the production of plastic notebook and tablet casings fluctuate according to the volatility of prices of crude oil, which in turn, is a key material used in the manufacture of resins. The overall prices of PC and PC/ABS were relatively stable from the first quarter of 2013 to the second quarter of 2017. In contrast, the price of ABS fell during the third quarter of 2014 to the fourth quarter of 2015, mainly due to the oversupply of ABS in Asia and the decline in crude oil prices, the price of ABS subsequently recovered until the second quarter of 2017 mainly because of the rebound in crude oil prices.

Metal notebook and tablet casing raw materials

Set out below is a graph of the average prices of selected aluminium plate in the PRC from first quarter of 2013 to second quarter of 2017. The average price of selected aluminium plate in the PRC was stable at approximately USD3,393 per ton for the period from first quarter in 2013 to second quarter in 2017. According to the CRI Report, the price movement of selected aluminium plate is largely related to the LME aluminium spot price which remained relatively stable at approximately USD1,972 per ton at the first quarter in 2013 and approximately USD1,907 per ton at the second quarter in 2017. The slight decrease was mainly attributable to (i) overproduction in the PRC since 2008; (ii) the slow global economic growth during the three years ended 2015, which affected the commodity price; and (iii) government intervention such as imposing import tariffs and giving subsidies to local producers, thereby increasing the supply of aluminium.

Price of selected aluminium plate per quarter in the PRC and the price of LME aluminium spot price per quarter, from first quarter in 2013 to second quarter in 2017



Source: *CRI*

Note: As there are many types of aluminium plate in producing metal casings in the PRC, CRI conducted the price trend analysis uses the most commonly used aluminium plate by the Group.

COMPETITIVE LANDSCAPE

Entry barriers

The notebook and tablet casing manufacturing industry in the PRC is at a mature stage and the majority of notebook and tablet casings manufacturing companies are small- to medium- scale factories. There is a low to medium level of entry barrier where small factories are not competitive due to immature technology, instability of technological process, poor quality control, insufficient capital investment and weak customer relationship with OEMs.

Technology barriers

The notebook and tablet casing production process is complicated. Particularly, mould design and fabrication and decoration procedures such as IML, LMF and IMR require a relatively high level of technological know-how. Since notebook and tablet casings come in various specification, the production has to precisely match the blueprint provided by OEMs in order to satisfy the OEM's aesthetic requirements for the casings. The OEMs have stringent requirement on quality control and production techniques of notebook and tablet casings. According to the CRI Report, only a few "one-stop" manufacturing solution providers for notebook and tablet casing manufacturers in the PRC are able to meet the increasingly tough requirements of OEMs. As such, this may pose an entry barrier for new entrants who lack the market experience and technical skill.

Capital investment

Substantial amounts of initial capital investment is required to enter the notebook and tablet casing manufacturing industry for the following reasons, including but not limited to, (i) mould design and fabrication as well as plastic injection moulding, all require high-tech machinery, equipment and apparatus which are operated by professionals and technicians with extensive industrial and managerial knowledge, skill and technical know-how; (ii) notebook and tablet casing manufacturers need to establish a certain level of production capacity to attain economies of scale; and (iii) higher costs would be incurred to comply with the environmental protection policies in the PRC. As a result, manufacturers with limited capital would find it difficult to enter the notebook and tablet casings manufacturing industry.

Business relationship and reputation

Most of the OEMs serve international brand owners. The ability to produce high quality notebook and tablet casing is vital to secure orders from OEMs. In order to become suppliers to any OEMs, notebook and tablet casing manufacturers need to fulfill certain qualifications and quality control standards which are set by them. To ensure consistent product quality, OEMs need to maintain a qualified pool of suppliers. Therefore, new entrants will find it difficult to gain entry into the market.

In light of the above entry barriers and coupled with the global economic uncertainties, smaller-scale manufacturers face difficulties in sustaining their business and further market consolidation is anticipated in the years to come. This gives rise to opportunities for larger-scale manufacturers with competitive advantages, such as higher level of technology, stable product quality, larger scale of production, established relationships with OEMs, to increase their market share.

Major challenges

- Increasing labour cost and labour shortage in the PRC

  According to the CRI Report, the average annual wages for the manufacturing sector in the PRC increased from approximately RMB47,000 in 2014 to approximately RMB59,000 in 2016 with a CAGR of 12.0%. Since notebook and tablet casing industry is a labour-intensive industry, the increase in wages places a large financial burden on such manufacturers.

  According to the CRI Report, the monthly maximum overtime hour per worker in the PRC is 36 hours in accordance with the Labour Law of the PRC. In view of the salary cap resulting from the monthly maximum overtime hour policy stipulated in the Labour Law of the PRC, salaries in the manufacturing sector became less attractive and the CRI Report also indicated that the turnover rate in manufacturing sector increased from approximately 20.0% in 2015 to approximately 24.4% in 2016, which was higher than the national average turnover rate of approximately 18.0% and 20.1% in corresponding years. As a result of the high turnover rate in the manufacturing sector, some notebook and tablet casing manufacturers may not meet their production schedules owing to the labour shortage in the PRC, thereby negatively affecting the development of the industry.

- Strengthen the requirements over notebook and tablet casings to meet the brand owners' standard

  Brand owners have more stringent requirements over the procurement of raw materials for the manufacture of notebook and tablet casings in terms of product safety and environment friendliness as consumers have placed increasing emphasis on these aspects. Brand owners require manufacturers of notebook and tablet casings to obtain relevant environmental and safety certifications, which requires considerable time and resources.

Future development and opportunity

The market environment

- Advanced production techniques raise the competitiveness of market players

  According to the CRI Report, one of the production process methods, double-shot injection, may become the market trend in the future. Double-shot injection is a production method of using two different kinds of resin that are injected into a mould to produce a combination of two colours and/or two different types of notebook or tablet casings. Double-shot injection also enhances the product's quality and the casing produced by this method also has a relative higher profit margin.

- Growing number of new OEMs in the PRC, provides new opportunity for notebook and tablet casing manufacturers

  Chinese-based OEMs such as BYD Electronic (International) Company Limited, 3NOD Digital Group Co., Ltd. and (三諾集團), Yifang Digital Technology Co., Ltd. (深圳易方數碼科技股份有限公司) and Shanghai Huaqin Telecom Technology Co., Ltd. (上海華勤通訊技術有限公司) are some of the new joiners to the OEMs market. According to the CRI Report, Lenovo is reducing the reliance on Taiwan-based OEMs by cooperating with PRC-based OEMs. It is expected that the number of PRC-based OEMs will continue to expand.

- The PRC government has introduced supportive policies

  According to the CRI Report, the PRC's current Premier, Li Keqiang, announced the "Made in China 2025" policy during the 2015 Lianghui (兩會). This meeting focuses on high-tech industries and ways to improve the efficiency and lower the costs of the manufacturing sector. The use of automation in production lines, which can ease labour shortages as well as enhance productivity, has become a new trend in the PRC. It is expected that the notebook and tablet casing manufacturing industries in the PRC will also follow such a trend.

  According to the CRI Report, The General Office of the Communist Party of China and The General Office of the State Council jointly published "Outline of the National Informatization Development Strategy" (《國家信息化發展戰略綱要》) on 27 July 2016, which is a guiding document for regulating and directing the national informatisation development over the next 10 years. As notebook computers and tablets are of vital importance to the information technology industry, it is expected that the demand for notebook computers and tablets will increase to meet such opportunities in the PRC.

The notebook casing business

- Growing popularity of gaming notebooks market

  The demand for gaming notebooks has been rising in tandem with the growing number of global gamers since 2013. Unlike other notebook users, gamers require high performance notebooks. As a result, gaming notebooks have a relatively high replacement rate since gamers replace their gaming notebooks whenever new models with improved features are launched. According to the CRI Report, the CAGR of the eSports (電子競技運動) industry was around 7.0% from 2012 to 2016. The estimated global market share of gaming notebooks in terms of global notebook shipment volume in 2016 was approximately 4.3%. The global gaming notebook shipment volume increased from approximately 2.2 million units in 2012 to approximately 6.2 million units in 2016, which represented a CAGR of approximately 29.6%. It is expected that the gaming notebook market will continue to expand and become a key driver for the notebook market and in turn, the notebook casing industry.

- The growing enterprise IT expenditure sustains the business demand for notebook computers

  The global IT expenditure made by enterprises is steadily increasing. In particular, SMEs are playing a more and more important role in global business. The growing IT investment is driven mainly by medical service, banking, media, and professional service sectors. The increase of IT spending drives the purchase of hardware which includes notebook computers. The demand for notebook casings is expected to grow accordingly.

The tablet casing business

- New market trend turning to 2-in-1 devices

  The gross profit margin of selling detachable 2-in-1 devices is higher than that of standard notebooks. Many brand owners entered into the detachable 2-in-1 device market in recent years. Reference is made to the CRI Report that some second- and third- tier brand owners such as Hasee (神州電腦) and Haier (海爾) are cooperating with Intel, with Intel providing product design, verification of software and hardware as well as providing sale channels to those brand owners. It is expected that an increasing number of brand owners will enter the detachable 2-in-1 devices market, which in turn, will benefit the tablet casing industry.

- The growing demand from less developed regions provides opportunities for tablet's export

  Despite the worldwide decline of demand for tablets, the demand is rapidly increasing in less developed regions such as Southeast Asia. The large population, low penetration of tablets, and emerging multi-device ownership in Southeast Asia will power the demand for tablets, thereby propel the derived demand for tablet casings.

LAWS AND REGULATIONS IN THE PRC

The relevant laws and regulations applicable to the operations and business of the Group's subsidiary in the PRC are set out below:

Principal laws, regulations and policies of the industry

Companies engaged in the printing industry in the PRC have to comply with certain regulatory requirements established and published by the PRC government including but not limited to (i) the Regulations on the Administration of Printing Industry which were promulgated and implemented on 2 August 2001 and last amended on 1 March 2017 by the State Council; (ii) the Administration Regulations on Fulfilling Printing Orders (《印刷品承印管理規定》) jointly promulgated on 18 July 2003 and implemented on 1 September 2003 by the General Administration of Press and Publication of the PRC (中華人民共和國新聞出版總署) and the Ministry of Public Security of the PRC (中華人民共和國公安部); and (iii) the Temporary Printing Operators Qualifications promulgated and implemented on 9 November 2001 by the General Administration of Press and Publication of the PRC and amended on 28 August 2015 by the State Administration of Press, Publication, Radio, Film and Television (國家新聞出版廣電總局).

According to the Regulations on the Administration of Printing Industry, foreign entities are allowed to set up foreign-invested printing enterprises which can be (i) a joint venture or cooperation engaging in the printing industry in the PRC (a PRC partner is required); or (ii) a wholly foreign owned enterprise engaging in package segment of the printing industry.

Licencing requirements

In accordance with the Regulations on the Administration of Printing Industry, the PRC implements a licensing system for printing business, and unit or individual undertakes printing business should obtain a printing licence (印刷經營許可證) from the publication administration authority at provincial level and a business licence from the local administration for industry and commence. According to the Temporary Printing Operators Qualifications, in order to obtain a printing licence, applicants are required to: (i) submit the name of the enterprise and its bylaws; (ii) provide a well-defined scope of business; (iii) be in possession of production and business premises that can meet the needs of its scope of business, and necessary capital, equipment and other production and business conditions as well; (iv) be in possession of an organisational structure and staff that can meet the needs of its scope of business; and (v) fulfill other conditions stipulated by the relevant laws and administrative regulations. In addition to the provisions stipulated above, the approval of the establishment of a printing enterprise shall also conform to the planning of the PRC relating to the total number, structure and distribution of the printing enterprises. The Temporary Printing Operators Qualifications, as mentioned above, further provides the specific conditions for establishing different printing enterprises depending on the category of printing business activities in which they engage.

Tongda Suzhou holds a printing licence issued by the Press and Publication Bureau of Jiangsu Province (江蘇省新聞出版局) with a permitted scope of printing of packaging and decorative printing products. For further details of the Group's licenses, please refer to the section headed "Business — Licenses and permits" in this prospectus.

Incorporation, operation and management of wholly foreign owned enterprises

The establishment, operation and management of a company in the PRC are governed by the PRC Company Law which was promulgated by the SCNPC on 29 December 1993 and became effective on 1 July 1994. It was last amended on 28 December 2013 and took effect on 1 March 2014. The major amendments include, but are not limited to, cancelling the paid-up capital registration and removing the statutory minimum registered capital requirements and the statutory timeframe for the capital contribution. The PRC Company Law also governs foreign-invested limited liability companies and joint stock limited companies. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall apply.

The Wholly Foreign Owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) promulgated on 12 April 1986 by the National People's Congress and last amended on 3 September 2016 by the SCNPC and the Implementation Rules on the Wholly Foreign Owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) promulgated by the then Ministry of Foreign Trade and Economy on 12 December 1990 and last amended by the State Council on 19 February 2014, govern the establishment procedures, approval procedures, registered capital requirements, foreign exchange control, accounting practices, taxation, employment and all other relevant matters of wholly foreign owned enterprises. According to the latest amendment to Wholly Foreign Owned Enterprise Law of the PRC on 3 September 2016, foreign-invested enterprise which do not fall within the scope of special administrative measures for foreign investment admission stipulated by the State, approval procedures stipulated in Article 6, Article 10 and Article 20 of the Wholly Foreign Owned Enterprise Law of the PRC shall be changed to the filing procedures.

Pursuant to the Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) which was promulgated by the Ministry of Commerce on 8 October 2016 and became effective on the same date and was subsequently amended on 30 July 2017, where establishments and changes to a foreign-invested enterprise do not fall within the scope of special administration measures for foreign investment admission as stipulated by the State, the foreign-invested enterprise shall go through filling procedures instead of the procedures for approvals. However, where establishments and changes to a foreign-invested enterprise fall within the scope of the special administration measures for foreign investment admission as stipulated by the State, the foreign-invested enterprise shall go through procedures for approvals according to the relevant laws and regulations governing foreign investment.

Pursuant to the Provisions on Guiding Foreign Investment Direction (《指導外商投資方向規定》), which was promulgated by the State Council on 11 February 2002 and became effective on 1 April 2002, any investment conducted by foreign investors and foreign enterprises in the PRC is subject to the Guidance Catalogue, the latest version of which was promulgated by the Ministry of Commerce of the PRC and 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) on 28 June 2017 and came into effect on 28 July 2017. The Guidance Catalogue provides guidance for market access of foreign capital by categorising industries into encouraged industries for foreign investment, restricted industries for foreign investment and prohibited industries for foreign investment. Those industries which are not stipulated in the Guidance Catalogue are deemed as "permitted industries for foreign investment". According to the Guidance Catalogue, the industry in which the Group's PRC subsidiary engage is categorised as permitted industries for foreign investment.

Product quality

Products made in the PRC are subject to the Product Quality Law, which was promulgated by the SCNPC on 22 February 1993 and became effective on 1 September 1993 and was last amended on 27 August 2009. According to the Product Quality Law, the producer of a product shall be liable to compensate for the damages done to a person or property other than the defective product itself due to the defects of the product, unless the producer is able to prove that: (i) the product has not been put in circulation; (ii) the defects causing the damages do not exist at the time when the product is put in circulation; or (iii) based on the level of science or technology at the time the product is put in circulation, the defects can not be discovered. The Product Quality Law is applicable to all activities of production and sale of any product within the PRC. According to the Product Quality Law, manufacturers are liable for the quality of products they produce and sellers must take reasonable actions to ensure the quality of the products they sell. Both the manufacturers and sellers shall be liable to compensate for any bodily harm or damage to property (other than the defective product itself) caused by the defective products it manufactured or sold. Violation of the Product Quality Law may result in fines and the violator will be ordered to suspend its operations, or its business license will be revoked and criminal liability may be incurred under severe circumstances.

Consumers protection

The Law on Protection of Consumer Rights and Interests was promulgated on 31 October 1993 and became effective on 1 January 1994 and was last amended on 25 October 2013. According to the Law on Protection of Consumer Rights and Interests, unless otherwise provided by this law, a business operator that provides products or services shall, in any of the following circumstances, bear civil liability in accordance with other relevant laws and regulations: (i) where a defect exists in a product; (ii) where a product does not possess the functions it is supposed to possess, and no declaration thereof is made at the time of sale; (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 that have been formally declared by the State to be obsolete are produced or expired or deteriorated products are sold; (vi) where the products sold are short quantity; (vii) where the contents and costs of the services are in violation of the agreement; (viii) where consumers' requests for repair, redoing, replacement, return, making up the quantity of a product, refund of payment for the products or services, or claims for compensation have been deliberately delayed or unreasonably rejected; or (ix) in other circumstances whereby the rights and interests of consumers, as provided by laws and regulations, are infringed. A business operator who fails to fulfill the security obligations and causes harm to consumers shall bear tort liability according to the Law on Protection of Consumer Rights and Interests.

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 penalise tortious acts. Under this law, in the event of any damage arising from a defective product, the sufferer may seek compensation from either the manufacturer or the seller of such product. If the defect is caused by the seller, the manufacturer is entitled to seek reimbursement from the seller upon compensating the sufferer.

Foreign trade

The Foreign Trade Law was last amended by the SCNPC on 7 November 2016 and took effect on the same date. Foreign trade mentioned in the Foreign Trade Law refers to the import and export of goods, technologies and international trade in services. According to the Foreign Trade Law, unfair competition activities such as selling products at unreasonably low prices, bidding in collusion, publishing false advertisements and offering commercial bribe are not allowed in foreign trade activities.

Pursuant to the Foreign Trade Law and the Measures for the Record Filing and Registration of Foreign Trade Business Operators (《對外貿易經營者備案登記辦法》) which was promulgated by the Ministry of Commerce on 25 June 2004 and became effective on 1 July 2004 and was amended on 18 August 2016, the PRC adopted a filing and registration system for foreign trade business operators engaged in the import and export of goods or technologies, implemented by the Ministry of Commerce or its entrusted agencies. Foreign trade business operators that have not filed for registration in accordance with the provisions will be declined by the Customs to carry out the customs clearance and inspection procedures for their import and export of goods.

Production safety

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

Special equipment

The Regulations on Safety Supervision of Special Equipment (《特種設備安全監察條例》) were promulgated by State Council, came into effect on 1 June 2003 and was further amended on 24 January 2009. According to the aforesaid regulations, enterprises manufacturing or using special equipment are required to establish and strive to perfect the safety and energy-saving management system, job security and energy-saving accountability system for the special equipment. The special equipment as mentioned above refer to boilers, pressure vessels (including gas cylinders), pressure pipelines, elevators, lifting appliances, passenger ropeways, large amusement facilities, and special purpose motor vehicles in defined fields, which involve a high degree of safety risk.

According to the Regulations on Safety Supervision of Special Equipment, operators and the relevant managerial staff of boilers, pressure vessels, elevators, lifting appliances, passenger ropeways, large amusement devices and special purpose motor vehicles in defined fields shall not involve in corresponding operation or management until they have passed the examination organised by the departments for safety supervision and administration of special equipment as required by the State and acquired certificates for such operators of special equipment with a nationally unified format. Enterprises using special equipment shall educate and train such operators of special equipment so as to ensure that they acquire the necessary knowledge about the safe operation of special equipment.

Labour law

Companies in the PRC are subject to the PRC Labour Law (《中華人民共和國勞動法》) which was promulgated by the SCNPC on 5 July 1994, became effective on 1 January 1995 and was further amended on 27 August 2009, the PRC Labour Contract Law (《中華人民共和國勞動合同法》) which was promulgated by the SCNPC on 29 June 2007, became effective on 1 January 2008 and was further amended by the SCNPC on 28 December 2012, and the Implementation Regulations of the PRC Labour Contract Law (《中華人民共和國勞動合同法實施條例》) which was promulgated by the State Council on 18 September 2008 and became effective on the same date, as well as other related regulations, rules and provisions issued by the relevant governmental authorities from time to time. Compared to previous PRC Laws and regulations, the PRC Labour Contract Law imposes stricter requirements in respect of signing of labour contracts with employees, stipulation of probation period and violation penalties, termination of labour contracts, payment of remuneration and economic compensation, use of labour dispatches as well as social security premiums.

According to the PRC Labour Law and the PRC Labour Contract Law, a written labour contract shall be concluded when a labour relationship is to be established between an employer and an employee. An employer must pay an employee two times his salary for each month in circumstances where it fails to enter into a written labour contract with the employee for more than a month but less than a year; where such period exceeds one year, the parties are deemed to have entered into a unfixed-term labour contract. Companies must pay wages that are not lower than the local minimum wage standards to the employees. Companies are also required to establish labour safety and sanitation systems, strictly abide by PRC rules and standards and provide relevant training to the employees.

Pursuant to the Interim Provisions on Labour Dispatch (《勞務派遣暫行規定》) which was promulgated by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) on 24 January 2014 and became effective on 1 March 2014, the employers may use dispatched labourers only for temporary, auxiliary or substitutable positions, and the number of dispatched labourers which shall not exceed 10% of the total number of its workers. In the event that the number of dispatched labourers employed by an employer exceeds 10% of the total number of its workers prior to the effective date of the Interim Provisions on Labour Dispatch, the employer shall develop a scheme for employment adjustments, and reduce the proportion to the specified level within 2 years from the effective date of the Interim Provisions on Labour Dispatch.

According to the Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》) which was promulgated by the State Council on 1 October 2002 and came into effect on 1 December 2002, the employers must verify the identification cards of the personnel to be employed and shall not employ any minor under 16 years old.

Social insurance and housing provident funds

The PRC social insurance system is mainly governed by the Social Insurance Law of the PRC (《中華人民共和國社會保險法》). The Social Insurance Law of the PRC was promulgated by the SCNPC on 28 October 2010 and came into effect on 1 July 2011. According to Social Insurance Law of the PRC, employers in the PRC shall conduct registration of social insurance with the competent authorities, and make contributions to the five basic types of social insurance for their employees, namely, basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance.

According to the Social Insurance Law of the PRC, if an entity does not pay the full amount of social insurance fund contributions on time, the social insurance authority shall order it to pay the outstanding social insurance fund contributions within a prescribed time and impose a late charge of 0.05% per day of the outstanding amount. If the payment is not made within the prescribed time, the social insurance authority shall impose a fine ranging from one to three times of the outstanding social insurance fund contributions.

According to the Regulations on Management of Housing Provident Funds (《住房公積金管理條例》) which was promulgated by the State Council and came into effect on 3 April 1999 and was amended on 24 March 2002, all business entities (including foreign-invested enterprises) are required to register with the local housing provident funds management centre and set up special housing fund accounts with designated banks and pay the related funds for their employees. In addition, for both employees and employers, the payment rate for housing provident fund shall not be less than 5% of the average monthly salary of the employees in the previous year. The payment rate may be raised higher if the employer desires.

Occupational disease prevention and control

According to the Law of the PRC on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) promulgated by the SCNPC on 27 October 2001, effective on 1 May 2002 and last amended on 5 November 2017 and the Measures for the Supervision and Administration of "Three Simultaneities" for the Prevention and Control of Occupational Disease of Construction Projects (《建設項目職業病防護設施「三同時」監督管理辦法》) promulgated by the State Administration of Work Safety (國家安全生產監督管理總局) on 9 March 2017 and came into effect on 1 May 2017, for construction projects that may cause occupational diseases, the entity engaging in the construction is required to preliminarily assess risks of occupational diseases, design and construct facilities for the prevention and control of occupational disease, evaluate the control effect of the occupational disease hazards and corresponding review, organise the acceptance check of facilities for the prevention and control of occupational disease, and establish and improve rules and archives on occupational health management of the construction projects.

Foreign exchange

Foreign exchange control in the PRC is mainly regulated by the Administrative Regulations of the PRC on Foreign Exchange (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on 29 January 1996, came into effect on 1 April 1996, and was last amended on 5 August 2008. According to the aforesaid regulations, RMB can be freely exchanged into foreign currency for payments under current accounts (such as foreign exchange transactions in relation to trade and service and dividends payment), but approval from the relevant foreign exchange administration shall be obtained for the exchange of RMB into foreign currency under foreign exchange accounts (such as direct investment, loan or stock investment outside the PRC).

Taxation

Enterprise income tax

According to the EIT Law promulgated by the National People's Congress on 16 March 2007 and came into effect on 1 January 2008 and was subsequently amended on 24 February 2017, and the EITIR which was promulgated by the State Council on 6 December 2007 and came into effect on 1 January 2008, the income tax rate for both domestic and foreign-invested enterprises is 25%.

Pursuant to the EIT Law and the EITIR, 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 and the EITIR also provide 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 "High and New Technology Enterprises" in need of special support by the PRC.

Income tax on share transfer

Pursuant to the Announcement No. 7 promulgated by the SAT and came into effect on 3 February 2015, where a non-resident enterprise indirectly transfers properties such as equity in Chinese resident enterprises without any reasonable commercial purposes with the aim of avoiding to pay enterprise income tax, such indirect transfer shall be reclassified as a direct transfer of equity in Chinese resident enterprise in accordance with Article 47 of the EIT Law. Indirect transfer of Chinese taxable properties shall mean transactions of non-resident enterprises which are carried out through transfer of equity of enterprises abroad that directly or indirectly hold Chinese taxable properties (not including the Chinese resident enterprises registered abroad) and other similar equities and cause the concrete results same as or similar to that of direct transfer of Chinese taxable properties, including the circumstance that the restructuring of non-resident enterprises causes changes of shareholders of enterprises abroad that directly or indirectly hold Chinese taxable properties (not including the Chinese resident enterprises registered abroad). Non-resident enterprises that indirectly transfer Chinese taxable properties are referred to as equity transferor.

According to the Announcement No. 7, indirect transfer of Chinese taxable properties that meets all of the following conditions shall be deemed as having a reasonable commercial purpose: (1) the equity relationship of the parties involved in the transfer falls under one of the following circumstances: (i) equity transferor directly or indirectly owns more than 80% of the equity of the equity transferee; (ii) equity transferee directly or indirectly owns more than 80% of the equity of the equity transferor; or (iii) more than 80% of the equity of both equity transferor and equity transferee is owned by the same party. If more than 50% (not including 50%) of the value of the equity of an enterprise abroad is directly or indirectly from the real estate in the territory of China, the shareholding proportion in items (i), (ii) and (iii) of Paragraph 1 of this article shall be 100%. The aforesaid equity indirectly held shall be calculated based on the product of the shareholding ratios of all enterprises in the shareholding chain; (2) compared with the same or similar indirect transfer occurred without this indirect transfer, the burden of taxation in China will not be reduced on the indirect transfer that may occur again after this indirect transfer; and (3) equity transferee pays all the equity transfer consideration with its equity or equity of enterprises controlled by it (not including equity of listed enterprises).

VAT

According to the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on 13 December 1993, and taking effect on 1 January 1994, which was last amended on 19 November 2017, and the Rules for the Implementation of the Provisional 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》), which was promulgated by the Ministry of Finance of the PRC on 25 December 1993, became effective on 1 January 1994 and was last amended on 28 October 2011 and became effective on 1 November 2011,

(A) All entities and individuals engaged in (i) the sales of goods, (ii) the provision of processing, repairs and replacement services, (iii) the sales of services, intangible assets, real estate, or (iv) the importation of goods within the PRC are taxpayers of VAT, and shall pay VAT in accordance with these regulations.

(B) Except as stipulated in these regulations, for taxpayers engaged in sales of goods, intangible assets, real estate or provision of taxable services, the VAT payable shall be the balance of output tax for the period after deducting the input tax for the period. The formula for computing the tax payable is as follows:

Tax payable = Output tax for the period – Input tax for the period.

(C) For taxpayers engaged in sales of goods or provision of taxable services, the output tax shall be the VAT calculated based on the sales volume and the tax rates prescribed in these regulations and amount collected from the purchasers. The formula for computing the output tax is as follows:

Output tax = Sales volume x VAT rate.

(D) VAT rates: For taxpayers selling or importing goods, volume stipulated in these regulations, the VAT rates shall be 17%. For taxpayers exporting goods, the VAT rate shall be 0%, except as otherwise stipulated by the State Council. For taxpayer providing processing, repairs and replacement services, the VAT rate shall be 17%.

PRC custom duties

According to the Customs Law of the PRC (《中華人民共和國海關法》) which was promulgated by the SCNPC on 22 January 1987, and was came into effect on 1 July 1987 and last amended on 5 November 2017, the consignee of the imports, the consignor of the exports and the owners of the imports and exports are persons obligated to pay customs duties. The Customs of the PRC is the authority in charge of the collection of customs duties.

Customs duties in the PRC are mainly ad valorem duties, being the price of import/export commodities is the basis for the calculation of the duties. When calculating the customs duties, import/export commodities shall be classified under appropriate tax items in accordance with the category provisions of the Custom Import and Export Tariff and shall be subject to tax levied pursuant to the relevant tax rates.

According to the Administrative Provisions of the PRC on the Registration of the Customs Declaring Entities (《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 and taking effect on 13 March 2014 and subsequently amended on 20 December 2017 and became effective on 1 February 2018, a declaring entity shall go through the registration procedures at the customs in accordance with these provisions. Registration of declaring entities shall be divided into the registration of declaring enterprises and the registration of consignees or consignors of import or export goods.

Withholding tax on dividends

According to the EIT Law and the EITIR, non-resident enterprises which have not set up institutions or premises in the PRC, or which have set up the institutions or premises in the PRC but its whose income has no actual relationship with such institutions or premises shall be subject to the withholding tax of 10% on their income derived from the PRC. According to the Arrangements between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion With Respect to Taxes On Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), promulgated by the SAT and Hong Kong Special Administrative Region on 21 August 2006, dividends paid by a PRC enterprise to a Hong Kong resident may be taxed in the PRC according to the applicable PRC tax laws, and vice versa. Where there beneficial owner of the dividends is a resident of the other side (e.g. dividends of a PRC company paid to a Hong Kong resident), the tax charged shall not exceed: (a) where the beneficial owner is a company directly holding at least 25% of the equity interest of the Company which pays the dividends, is subject to the tax rate of 5% of the distributed dividends; and (b) in any other case, 10% of the distributed dividends.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues Concerning the Implementation of Dividend Clauses in 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》), which was promulgated by the SAT and became effective on 20 February 2009, all of the following requirements shall be satisfied for a taxpayer to be entitled to the tax rate specified in the tax agreement for dividends paid to it by a PRC resident company: (i) the tax resident of the other side who obtains dividends shall be a company as provided in the tax agreement; (ii) the proportions of the owner's equity interests and voting shares of the PRC resident company directly owned by such tax resident shall comply with the prescribed proportions; and (iii) the proportions of the equity interests directly owned by such tax resident in the PRC resident company shall, at any time within the successive twelve months before obtaining of the dividends, comply with proportions specified in the tax agreement.

According to the Administrative Measures for Non-resident Taxpayers to Enjoy the Treatments under Tax Agreements (《非居民納稅人享受稅收協定待遇管理辦法》), which was promulgated by the SAT on 27 August 2015 and came into effect on 1 November 2015, if non-resident taxpayers are eligible for the favorable tax treatment under the tax agreements, they could enjoy such treatment when making tax declarations by themselves or through withholding agents. Under the Administrative Measures for Non-resident Taxpayers to Enjoy the Treatments under Tax Agreements, when the non-resident taxpayers or their withholding agents make declarations to the relevant tax authority, they should deliver the relevant reports and materials to the tax authority and such non-resident taxpayers and withholding agents will be subject to the follow-up management of the tax authority.

Environmental protection

In accordance with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) first promulgated by the SCNPC on 26 December 1989, the competent department of environmental protection administration under the State Council formulates the national environmental quality and discharge standards and monitors the PRC's environmental system. The local government of provinces, autonomous regions and municipalities directly under the central government may also set up their local standards for environment quality for items not specified in the national standards for environment quality and shall report them to the competent department of environmental protection administration under the State Council for the record. The Environmental Protection Law of the PRC was amended by the SCNPC on 24 April 2014 and became effective on 1 January 2015, which strengthens the supervision and regulation on the environmental protection at the national level and imposes stricter punishment on the illegal activities. All entities and individuals in the PRC are subject to the Environmental Protection Law of the PRC.

Pursuant to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) which was promulgated by the SCNPC on 28 October 2002 and became effective on 1 September 2003 and amended on 2 July 2016, the Administrative Regulations on Environmental Protection for Construction Projects (《建設項目環境保護管理條例》) which was promulgated by the State Council and became effective on 29 November 1998 and amended on 16 July 2017 and became effective on 1 October 2017 and the Administrative Measures on the Examination and Approval of Environmental Protection for the Completion of Construction Projects (《建設項目竣工環境保護驗收管理辦法》) which was promulgated by the then State Environmental Protection Administration on 27 December 2001, became effective on 1 February 2002 and was amended on 22 December 2010, enterprises planning construction projects shall engage qualified professionals to provide the assessment report/assessment form/registration form on the environmental impact of such projects. The assessment report/assessment form/registration form shall be filed with and approved by the relevant environmental protection bureau, prior to the commencement of any construction work. The construction project shall not commence operation, unless inspected and approved by the relevant environmental protection bureau.

Enterprises in the PRC must comply with the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) effective from 1 June 2008 and was subsequently amended on 27 June 2017 and became effective on 1 January 2018, the law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) the last amendment of which became effective from 1 January 2016, the Law of the PRC on the Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》) effective from 1 March 1997, and the Law of the PRC on the Prevention and Control of Environmental Pollution of Solid waste (《中華人民共和國固體廢物污染環境防治法》), effective from 1 April 1996 and was last amended on 7 November 2016. These laws regulate extensive issues in relation to the environment protection including waste water discharge, air pollution control, noise emission and solid waste pollution control. Pursuant to these laws, all the enterprises that may cause environmental pollution in the course of their production and business operation shall introduce environmental protection measures in their plants and establish a reliable system for environmental protection.

Intellectual property

The products in the PRC shall be subject to intellectual property laws, which mainly include the Copyright Law of the PRC (《中華人民共和國著作權法》), the Patent Law of the PRC (《中華人民共和國專利法》) and the Trademark Law of the PRC (《中華人民共和國商標法》).

The Patent Law of the PRC was promulgated by the SCNPC on 12 March 1984, became effective on 1 April 1985, and was last amended on 27 December 2008, with the latest amendment taking effect on 1 October 2009. According to the Patent Law of the PRC, patent is divided into three categories: invention patent, utility model patent and design patent. Invention patent is intended to protect new technical solutions proposed for a product, a process or the improvement thereof. Utility model patent is intended to protect new technical solutions proposed for the shape and structure of a product or the combination thereof, which are fit for practical application. Design patent is intended to protect new designs of a product's shape, pattern, the combination thereof, or the combination of color with shape and pattern, which create an aesthetic feeling and are fit for industrial application. According to the Patent Law of the PRC, any exploitation of a patent without the authorisation of the patentee constitutes an infringement on the patent right.

BUSINESS DEVELOPMENT

Prior to the incorporation of the Company, the Group's operating subsidiary, Tongda Suzhou, was an integral part of Tongda and the Tongda Shares are listed on the Main Board. The history of the Group can be traced back to September 2008 when Tongda officially expanded into the notebook casings manufacturing business and invested in a workshop in its manufacturing site in Shishi, Fujian Province, the PRC, for the production of notebook casings. Tongda then established the Group's business in Changshu, Jiangsu Province, the PRC, in March 2010. The following table sets forth the major developments and milestones of the Group since its incorporation.

Date	**Milestone**
March 2010	Tongda Suzhou was established in Changshu, the PRC, on 27 March 2010 with an aim to manufacture and sell notebook and tablet casings
August 2010	Tongda Suzhou was accredited ISO9001:2008
September 2010	Tongda Suzhou commenced manufacturing of its notebook casings
April 2011	Tongda Suzhou was accredited ISO14001:2004
August 2013	Tongda Suzhou commenced manufacturing of its tablet casings
2014	The utilisation rate exceeded 70% and the Group's production capacity was optimised
June to July 2015	Tongda Suzhou registered three invention patents in the PRC in relation to spray painting solutions, moulding process and film laminating process of notebook casings
September 2015	Tongda Suzhou was recognised as a qualified supplier according to the EICC by an international brand owner
November 2016	Tongda Suzhou was recognised as a high and new technology enterprise (高新技術企業)

For further information in relation to the Group's business, please refer to the section headed "Business" in this prospectus.

CORPORATE DEVELOPMENT

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 March 2016. The Company completed the Reorganisation on 31 May 2016 in preparation for the Listing pursuant to which the Company became the holding company of the Group. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in this section.

As at the Latest Practicable Date, the Company comprised the following operating subsidiary and its corporate history is set out below:

Tongda Suzhou

Tongda Suzhou was established in the PRC on 27 March 2010 as a wholly foreign owned enterprise with an initial registered capital of HK$80 million. The People's Government of Jiangsu Province approved its establishment as a wholly foreign owned enterprise on 24 March 2010 and Changshu Administration for Industry and Commerce granted a business licence to Tongda Suzhou on 27 March 2010.

As at the date of establishment, Tongda Suzhou was wholly-owned by Tongda Shanghai. The initial registered capital of Tongda Suzhou was fully paid up on 22 March 2012.

On 9 June 2015, Tongda Suzhou resolved to increase the registered capital of Tongda Suzhou from HK$80 million to HK$200 million. The increased registered capital of Tongda Suzhou was fully paid up on 14 January 2016.

On 4 May 2016, Tongda Shanghai transferred the entire equity interest in Tongda Suzhou to Tongda Hong Kong in the consideration of HK$200,000,000, which was satisfied by Tongda Hong Kong allotting and issuing one share of Tongda Hong Kong to Tongda BVI (as a nominee of Tongda Shanghai), credited as fully paid. On 16 May 2016, Tongda Suzhou obtained a business licence from Changshu Administration for Industry and Commerce. After completion of the above transaction, Tongda Suzhou was wholly-owned by Tongda Hong Kong. The acquisition of Tongda Suzhou by Tongda Hong Kong was properly and legally completed and settled on 31 May 2016.

Tongda Suzhou manufactures and sells casings of notebook and tablet.

REORGANISATION

In preparation for the Listing, the Group has undergone the Reorganisation and the steps were as follows:

(i) Incorporation of the Company, Tongda BVI and Tongda Hong Kong

On 21 March 2016, the Company was incorporated as an exempted company in the Cayman Islands under the Companies Law, with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each, of which one fully paid Share was allotted and issued to the initial subscriber, which was transferred to Tong Da Holdings on 21 March 2016 at HK$0.01.

On 23 March 2016, Tongda BVI was incorporated in the BVI with limited liability and is authorised to issue a maximum of 50,000 shares of a single class, each with a par value of US$1.00, of which one fully paid share has been allotted and issued at par to the Company on 23 March 2016.

On 1 April 2016, Tongda Hong Kong was incorporated in Hong Kong with limited liability and one fully paid share of HK$1.00 of Tongda Hong Kong was allotted and issued to Tongda BVI, representing the entire issued share capital of Tongda Hong Kong.

(ii) Acquisition of Tongda Suzhou by Tongda Hong Kong and increase of authorised share capital of the Company

On 4 May 2016, Tongda Shanghai transferred the entire equity interest in Tongda Suzhou to Tongda Hong Kong in the consideration of HK$200,000,000, which was satisfied by Tongda Hong Kong allotting and issuing one share of Tongda Hong Kong to Tongda BVI (as a nominee of Tongda Shanghai), credited as fully paid. On 16 May 2016, Tongda Suzhou obtained a business licence from Changshu Administration for Industry and Commerce. After completion of the above transaction, Tongda Suzhou was wholly-owned by Tongda Hong Kong.

On 27 May 2016, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$10,000,000 by the creation of an additional 962,000,000 Shares of HK$0.01 each to rank pari passu in all respects with the existing Shares.

In consideration of Tongda Shanghai nominating Tongda BVI to hold one share of Tongda Hong Kong, Tongda BVI allotted and issued one share of Tongda BVI to the Company, credited as fully paid, on 31 May 2016.

In consideration of Tongda BVI allotting and issuing one share of Tongda BVI to the Company, the Company allotted and issued 143,391,249 Shares to Tong Da Holdings, credited as fully paid, on 31 May 2016.

The acquisition of Tongda Suzhou by Tongda Hong Kong was properly and legally completed and settled on 31 May 2016.

(iii) Subscription of new Shares by Tong Da Holdings

On 3 January 2017, Tong Da Holdings subscribed for 1,120,000 Shares at the aggregate subscription price of HK$11,200, which was determined with reference to the par value of the Shares. The subscription price for such new Shares was satisfied by capitalising the amount due by the Company to Tong Da Holdings in the sum of HK$11,200.

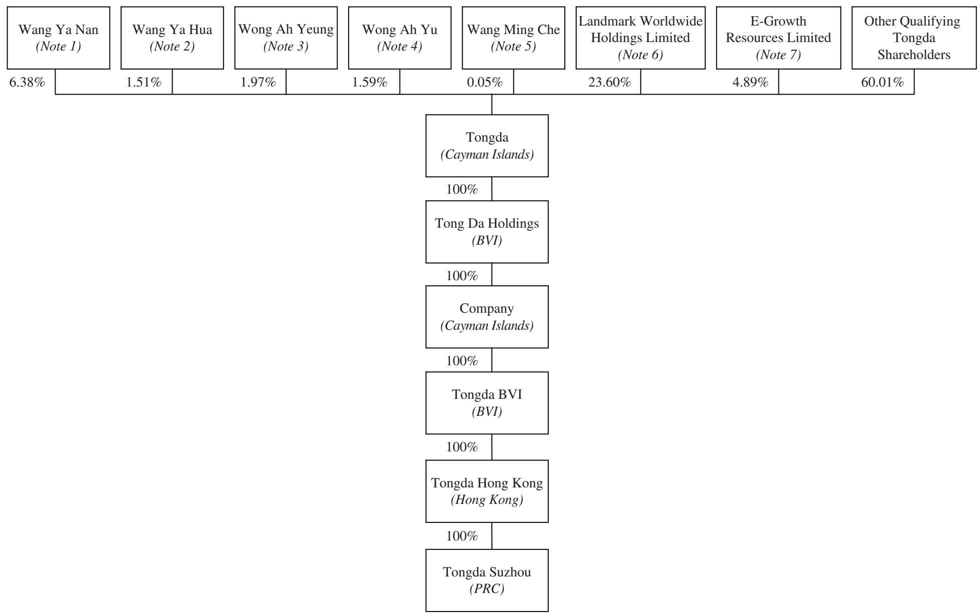
On 3 January 2017, 1,120,000 Shares were allotted and issued to Tong Da Holdings at par value.

On 23 February 2018, Tong Da Holdings subscribed for 6,781,888 Shares at the aggregate subscription price of HK$45,000,000. The subscription price for such new Shares was satisfied by capitalising the amount due by the Company to Tong Da Holdings in the sum of HK$45,000,000.

On 23 February 2018, 6,781,888 Shares were allotted and issued to Tong Da Holdings at the aggregate subscription price of HK$45,000,000.

SHAREHOLDING STRUCTURE

The following diagram illustrates the structure of the Group immediately following the completion of the Reorganisation but before the Tongda Distribution and the Share Offer:



Notes:

1. Mr. Wang Ya Nan is a non-executive Director, the Chairman of the Board and the younger brother of Mr. Wong Ah Yeung, Mr. Wong Ah Yu and Mr. Wang Ya Hua.

2. Mr. Wang Ya Hua is the elder brother of Mr. Wang Ya Nan and the younger brother of Mr. Wong Ah Yeung and Mr. Wong Ah Yu.

3. Mr. Wong Ah Yeung is the elder brother of Mr. Wong Ah Yu, Mr. Wang Ya Hua and Mr. Wang Ya Nan.

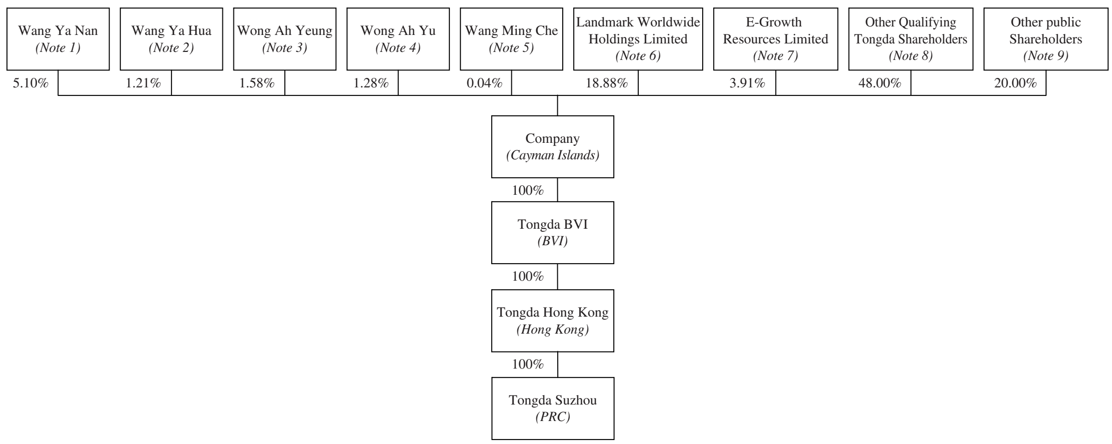
4. Mr. Wong Ah Yu is an executive Director and the younger brother of Mr. Wong Ah Yeung and the elder brother of Mr. Wang Ya Hua and Mr. Wang Ya Nan.

5. Mr. Wang Ming Che is the son of Mr. Wong Ah Yeung and a nephew of Mr. Wong Ah Yu, Mr. Wang Ya Hua and Mr. Wang Ya Nan.

6. Landmark Worldwide Holdings Limited is beneficially owned as to 25% by Mr. Wong Ah Yeung, 25% by Mr. Wong Ah Yu, 25% by Mr. Wang Ya Hua and 25% by Mr. Wang Ya Nan.

7. E-Growth Resources Limited is wholly and beneficially owned by Mr. Wang Ya Nan.

The following diagram illustrates the structure of the Group immediately after the completion of the Tongda Distribution and the Share Offer (taking no account of any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme):



Notes:

1. Mr. Wang Ya Nan is a non-executive Director, the Chairman of the Board and the younger brother of Mr. Wong Ah Yeung, Mr. Wong Ah Yu and Mr. Wang Ya Hua.

2. Mr. Wang Ya Hua is the elder brother of Mr. Wang Ya Nan and the younger brother of Mr. Wong Ah Yeung and Mr. Wong Ah Yu.

3. Mr. Wong Ah Yeung is the elder brother of Mr. Wong Ah Yu, Mr. Wang Ya Hua and Mr. Wang Ya Nan.

4. Mr. Wong Ah Yu is an executive Director and the younger brother of Mr. Wong Ah Yeung and the elder brother of Mr. Wang Ya Hua and Mr. Wang Ya Nan.

5. Mr. Wang Ming Che is the son of Mr. Wong Ah Yeung and a nephew of Mr. Wong Ah Yu, Mr. Wang Ya Hua and Mr. Wang Ya Nan.

6. Landmark Worldwide Holdings Limited is beneficially owned as to 25% by Mr. Wong Ah Yeung, 25% by Mr. Wong Ah Yu, 25% by Mr. Wang Ya Hua and 25% by Mr. Wang Ya Nan.

7. E-Growth Resources Limited is wholly and beneficially owned by Mr. Wang Ya Nan.

8. The other Qualifying Tongda Shareholders will be regarded as the public Shareholders.

9. The other public Shareholders under the Share Offer (assuming the public shareholders of Tongda who are originally the Qualifying Tongda Shareholders after taking up the assured entitlement under the Tongda Distribution will not participate in the Share Offer).

OVERVIEW

The Group, founded in Changshu, the PRC in 2010, is a "one-stop" manufacturing solution provider of casings of notebook, tablet and other accessories such as casings for portable chargers and routers. The Group manufactures and sells different casings and components of notebook and tablet. The sales of notebook and tablet casings contributed approximately 99.0%, 98.7%, 98.5% and 98.0% of the Group's revenue during the Track Record Period.

The Group is based in the PRC and operates a leased Changshu Factory in the PRC.

The Group's products are semi-finished components of notebooks and tablets which would be delivered to the customers' production plants in the PRC for further assembly processing before selling to end users. The Group's customers are mainly OEMs of leading domestic and international brand owners. Approximately 97.9%, 93.7%, 98.5% and 99.3% of the Group's revenue were recognised as income derived from the PRC customers for each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively. The remainder of the Group's revenue were recognised as income derived from the customers in Taiwan and other countries. Taking into account the above, the Directors consider that the PRC is the largest market for the Group's products. For further details of the Group's customers, please refer to the paragraph headed "Customers" below in this section.

The Directors believe that the Group's expertise and experience in the design of manufacture solutions, mould fabrication, plastic injection moulding, surface decoration, metal tooling and stamping, and assembly of notebook and tablet casings enable the Group to offer its customers "one-stop" manufacturing solutions by integrating lengthy and complex production processes vertically to lower production cost and to enhance efficiency and mass production capacity. Such business model provides the Group with a competitive edge in the manufacture of casings for notebook and tablet.

The Group experienced significant growth in its revenue since its establishment. The Directors believe that this was mainly due to (i) the Group's provision of comprehensive "one-stop" services which give the one point of contact for the production of notebook and tablet casings (including the design of manufacture solutions, mould fabrication, plastic injection moulding, surface decoration, metal tooling and stamping and assembly); (ii) the Group's technical expertise and valuable experience in the manufacturing of quality notebook and tablet casings; (iii) strong research and development capabilities; (iv) stringent quality control in the production process; (v) established relationship with OEMs of leading domestic and international brand owners; (vi) the strategic location of the Group's production plants in the PRC having regard to the location of its customers' factories in the PRC; and (vii) technical know-how of the Group's management team.

The Group's customers provide the product design blueprint and specification to the Group while the Group recommends and provides practical, innovative and customised solutions to its customers with a view to helping them minimise costs and improve the functionality and quality of their products on a continuous basis. After confirming a design with its customer and receiving a purchase order from such customer, the Group will manufacture the products at its production facilities. Some of the manufacturing procedures may be outsourced to third-party subcontractors if the Group does not possess the necessary equipment or the Group's production capacity has been optimised. The table below sets out the breakdown of the Group's revenue by product type during the three years ended 31 December 2016:

	Year ended 31 December					
	2014		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Notebook casings	245,459	65.2	406,386	96.2	448,136	96.6
Tablet casings	127,248	33.8	10,684	2.5	8,660	1.9
Others	3,587	1.0	5,595	1.3	7,141	1.5
Total	**376,294**	**100.0**	**422,665**	**100.0**	**463,937**	**100.0**

The table below sets out the breakdown of the Group's revenue by product type during the eight months ended 31 August 2016 and 2017:

	Eight months ended 31 August			
	2016		2017	
	HK$'000	*%*	*HK$'000*	*%*
Notebook casings	247,052	95.8	337,641	96.1
Tablet casings	4,808	1.9	6,831	1.9
Others	5,946	2.3	7,045	2.0
Total	**257,806**	**100.0**	**351,517**	**100.0**

For further details of the Group's outsourcing arrangement, please refer to the paragraph headed "Suppliers, materials and inventory — Subcontracting" below in this section.

MARKET AND COMPETITION

As a supplier of notebook and tablet casings in the middle stream of the supply chain, the key business drivers of the Group are as follows:

(i) Market demand for the Group's products by OEMs and brand owners

According to the CRI Report, it is a common practice for notebook and tablet brand owners to outsource their production lines to OEMs and require those OEMs to select notebook parts' and components' manufacturers from a list of qualified manufacturers. Brand owners have the overall control over their supply chain to ensure product quality. As such, the Group, being one of the qualified manufacturers producing notebook and tablet casings to OEMs, is regularly evaluated by both the brand owners and OEMs on aspects including human resources, production capacity, product quality and other production-related processes. The business of the Group is therefore driven by the direct demand and purchase orders from OEMs customers and brand owners. As advised by the Directors, no less than 7 brand owners, which include top five brand owners in the global notebook market, currently recognised the Group as their qualified second tier manufacturers. With the increasing market share of these top five brand owners in the global notebook market from approximately 76.7% in 2015 to approximately 81.2% in 2016 in accordance with the CRI Report, it is expected that a larger proportion of the Group's sales orders would be related to the projects of these brand owners.

(ii) Market consolidation of the industry

The notebook and tablet casing manufacturing industry in the PRC is at its mature stage and the majority of notebook and tablet casings manufacturing companies are small- to medium-scale factories. The more stringent requirements on quality control and production techniques of notebook and tablet casings imposed by the OEMs are anticipated to rule out smaller scale players with low level of technology and lead to market consolidation in the years to come. Purchase orders will be awarded to "one-stop" manufacturing solution providers which can meet the requirements of the OEMs and create opportunities that drive the business of the Group. According to the CRI Report, the Group historically accounted for approximately 1.3%, 1.7%, 2.6% and 2.8% of the market share in terms of global notebook casings shipment volume representing a gradual increase in the market share of the Group from 2014 to the first half of 2017.

Due to the limited production capacity of the Group's existing production facilities and the product specifications given by the customers, the Group subcontracted historically the production of substantial quantities of products during the Track Record Period. For each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, the Group had subcontracted the production of approximately 5.1 million units, 1.8 million units, 1.9 million units and 1.5 million units of key components of the Group's products. Taking into account the subcontracted products, the adjusted utilisation rate of the Group's existing key production facilities reached approximately 128.5%, 79.7%, 85.3% and 100.0% for each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively. As such, the Directors considered that the utilisation rate of the Group's production facilities has been optimised given that certain buffer capacity has to be reserved for mould fabrication and ad hoc production request. Following the enhancement of production capacity, the Group will continue to increase its market share by taking up more purchase orders and capture the opportunity in market consolidation.

(iii) Production capacity and technical level of the Group

With reference to the CRI Report, the Group accounted for approximately 2.8% of market share in terms of global notebook casing shipment volume and approximately 0.1% of market share in terms of global tablet casing shipment volume respectively in first half of 2017. The notebook and tablet casing manufacturing industry in the PRC is highly fragmented and overflowed with thousands of players in the market. As a "one-stop" manufacturing solution provider, the Group is required to produce notebook and tablet casings in accordance with various specifications set out in the blueprint provided by the OEMs. The production process generally involves various decoration processes such as IML, LMF, IMR and double-shot injection. Having considered that (i) the notebook and tablet casing market is large as compared with the tiny fraction of market share of the Group; and (ii) the demanding technical requirements in the production of casings with a wide variety of surface decoration techniques, the Directors intend to apply the proceeds from the Share Offer to expand the production capacity and enhance the technical level of the Group by purchasing certain sets of double-shot injection moulding machine in order to capture market share and drive the growth of the business.

(iv) Growth in certain niches within the downstream industries

The demand for notebook and tablet casings is driven by the demand for end products in the consumers market. According to the CRI Report, the global notebook shipment volume is expected to slightly decrease from 2017 onwards, with a negative CAGR of approximately 2.4% from 2017 to 2019. With the competition from smartphone and phablet markets, the demand for notebook and tablet is expected to decrease until a breakthrough in technology that changes the consumer behavior and drives a new wave of growth in the industry. According to the CRI Report, demand for gaming notebook is expected to rise along with the increasing number of global gamers. Unlike other notebook users, gamers tend to replace their gaming notebooks more frequently to catch up with the requirement of electronic games on high standard hardware notebooks. It is expected that the gaming notebook market will expand and become a new driver for the notebook market as well as the notebook casing industry due to the relatively high replacement rate of gaming notebooks. Besides, CRI Report also points out that detachable 2-in-1 devices would become a new market trend since more brand owners have entered into this market in recent years.

(v) The Group's ability to leverage its reputation, technical expertise and product quality to attract and retain customers

The OEM industry is highly concentrated as the top two OEMs for production of notebook accounted for approximately 50% of total global shipment volume in 2016. Each of them in turn serves an array of domestic and international brand owners, including Lenovo, HP, Dell, Apple, Acer and others. During the Track Record Period, the subsidiaries of the top two OEMs, namely Quanta Computer Inc. and Compal Electronics, Inc. were two of the five largest customers of the Group while the top brand using the Group's product was the one of the global best sellers of notebook in terms of shipment volume in 2015 and 2016. The Directors believe that a proven track record of serving these renowned brand owners and OEMs by the Group indicates a high quality standard of the Group's products. The Group intends to leverage its reputation, technical expertise and product quality to attract and retain customers.

The Directors believe that the Group competes favourably with its competitors in terms of its capability of providing "one-stop" manufacturing solutions, its ability to produce products of high quality and maintain long-term relationships with OEMs. For details of the Group's competitive strengths, please refer to the section headed "Business — Competitive strengths" in this prospectus.

For further information regarding the competitive landscape, entry barriers and major challenges of the industry in which the Group operates, please refer to the section headed "Industry overview" in this prospectus.

COMPETITIVE STRENGTHS

The Directors believe that the Group has several business strengths that set it apart from its competitors and enable it to continue in its growth and enhance its profitability. The competitive strengths of the Group include:

Comprehensive "one-stop" manufacturing solution for notebook and tablet casings

The Group considers its comprehensive "one-stop" manufacturing solution for notebook and tablet casings a significant factor leading to the Group's past success and will continue to drive the growth of the Group's business.

The Group's services encompass design of manufacturing solutions, mould fabrication, plastic injection moulding, surface decoration, metal tooling and stamping and assembly of notebook and tablet casings. The Directors believe that the "one-stop" manufacturing solution integrating lengthy and complex production processes vertically to lower production cost and to enhance efficiency and mass production capacity is one of the key factors leading to the Group's past success as, in its experience, this business model is highly recognised by its customers to be of better production efficiency and effective quality control. This is evidenced by consistent purchase orders placed by OEM customers who serve the top international notebook brand owners during the Track Record Period.

The Group is able to provide manufacturing solutions all the way from design stage to mass production stage of notebook and tablet casings. The Group generally works on the design blueprint provided by customers and advises on any modification in making the design practical for mould fabrication and mass production in the later stages. The Directors are of the view that such "one-stop" manufacturing solution provided by the Group could (i) ensure each production step is well coordinated without disruption; (ii) avoid a situation where the mould prepared elsewhere is not directly adaptable to the equipment operated by the Group; and (iii) allow the production process to be closely monitored so that a stable and consistent product quality could be maintained. For details of the production process, please refer to the section headed "Business — Production process" in this prospectus.

Having considered that (i) the Group has established relationships with top 5 customers during the Track Record Period which are OEMs of leading brand owners and has maintained business relationship with each of them ranging from approximately 1 to 6 year(s) as at the Latest Practicable Date; (ii) the increasing sales order received from customers as evidenced by the CAGR of revenue of approximately 11.0% over the three years ended 31 December 2016; (iii) increasing number of projects undertaken by the Group of approximately 79, 98, 115 for the three years ended 31 December 2016; and (iv) the increasing market share of approximately 1.3%, 1.7% and 2.6% in terms of global notebook casings shipment volume from 2014 to 2016, the Directors believe that the Group competes favourably with its competitors.

Efficient production facilities, diversified product portfolio and valuable experience in the manufacture of notebook and tablet casings

The Group had manufacturing plants operated by Tongda Suzhou during the Track Record Period. In order to benefit from the economies of scale and to satisfy the increasing demand from customers, the Group made capital investment from time to time to expand its production capacity. The Directors believe that increasing the Group's production facilities would allow further reduction in the unit cost of production and to achieve better profit margin as a result of the economies of scale.

The Group has a diversified notebook and tablet casings product portfolio. The products mainly include metal or plastic notebook casings, plastic tablet casings and other accessories and components. Furthermore, the Group has extensive technical experience in the production of notebook and tablet casings. The Group is able to provide a wide range of decorative methods, including but not limited to IML, IMR, LMF, spray printing and double-shot injection to cater for the specific needs of OEM customers who serve domestic and international brand owners. In 2015, the Group successfully patented the LMF technology (金屬外殻覆膜工藝) to diversify its surface decoration techniques. The characteristics of the LMF technology include, among other things, to adhere the film onto a metal part. Patterns or colours are then preserved in the middle layer between the metal part and the film which makes colours durable underneath. For details of different decoration techniques, please refer to the section headed "Business — Production process" in this prospectus.

The Directors believe that the Group has valuable experience in design of manufacture solutions, mould preparation, injection moulding and surface decoration. The Directors believe that the extensive experience in the application of these core production processes in the manufacture of notebook and tablet casings has provided a solid platform for the business development of the Group in the notebook and tablet casing manufacturing industry.

Strong research and development capabilities

The Group has established a strong research and development team under the engineering department, responsible for the research and development of new production technologies, as well as continuous improvement on product quality and production process. Tongda Suzhou, the Group's principal operating subsidiary, has been accredited as a high and new technology enterprise (高新技術企業) by the Ministry of Science and Technology, the Finance Department, the State Administration of Taxation Bureau and Local Administration of Taxation Bureau of Jiangsu Province in the PRC since November 2016. The Directors believe that the Group's strengths in research and development have been demonstrated by its ability to meet a wide range of different customers' requirements on product specification, and its innovation in new production technologies.

The research and development costs represented approximately 3.1%, 3.2%, 3.1% and 3.0% of the Group's total revenue for each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively.

In addition, with regular communication and collaboration with suppliers, the Directors believe that the Group is able to gather information on market trends, material types and new technologies which enables the Group to introduce new manufacturing solutions that are custom-made to suit the customers' preferences.

Coupled with its strong research and development capabilities, the Group is able to offer production technologies which competitors may not be able to offer and achieve lower production cost by developing more efficient production workflow. Furthermore, with its technological capabilities, the Group is able to collaborate with and assist its customers in materialising their designs during the product development stage, which is crucial to the product development cycle of new products by customers. For details of the research and development activities of the Group, please refer to the section headed "Business — Research and development" in this prospectus.

Stringent quality control in the production process

The Group implements stringent quality control in its production. The Group has established quality management systems which conform with the international quality standard and was accredited ISO9001:2008 since August 2010 covering the whole manufacture and service of precision plastic injection moulding and metal stamping for electronic products. The Group has also established an environmental management system which conforms with the international quality standard and was accredited ISO14001:2004 since April 2011 for its production activities. The Group has also met the requirements of the EICC since September 2015 to demonstrate that it could continuously satisfy the legal requirements and customers' needs in respect of protection of employees' rights, business ethics, environmental protection, occupational health and safety, as well as making continuous improvement to fulfill corporate social responsibilities. Each stage of the Group's production is closely monitored by its quality control department. The Directors believe that a well established quality management system provides a guarantee for the quality of the Group's products and maintains customer confidence in the Group.

Established relationship with OEMs of leading domestic and international brand owners

The Group has established relationships with the major customers which are OEMs of leading brand owners. The Group has maintained business relationship with each of its top 5 customers during the Track Record Period ranging from approximately 1 to 6 year(s) as at the Latest Practicable Date. The Group would regularly invite its customers to visit the Group's production base, work with its customers on manufacture solutions, and communicate with its customers through face-to-face meetings, phone calls and email communications. Through frequent contacts and receiving feedback from customers, the Directors believe that the Group has a sound understanding of the needs and preferences of its customers. The Directors believe that stable customer relationships are attributable to the consistent product quality, timely delivery of the Group's products and the quick response to market demand for different product specifications. Moreover, the provision of customised manufacturing solutions and flexibility on the minimum order quantity requirement by the Group are also considered favorably by the Group's customers. The Group shall endeavour to strengthen the continuing alliance with these customers.

Strategic locations of the production facilities and cost advantage

Tongda Suzhou's production plants are strategically located in Suzhou, the PRC, which enables the Group to quickly reach most of its customers and benefit from the close proximity to the customers' factories in the eastern region of the PRC. Furthermore, the Group sources production materials mainly from the PRC. Owing to the relatively lower transportation cost associated with shorter delivery distance mainly within Jiangsu Province, the PRC and discount obtained from bulk purchases of production materials compared to other smaller manufacturers, the Group is able to purchase production materials at competitive prices and hence maintain a better cost control on its operation. The Group will continue to source lower cost production materials of comparable quality from different areas so as to further enhance the supply chain management efficiency which may further improve the profitability of the Group and help to maintain the price competitiveness of its products.

The Group's management team possesses extensive experience and technical know-how

The Group's management team has extensive industry and managerial knowledge, skill and technical know-how throughout the industry. Each of Mr. Wang Ya Nan, the chairman of the Board and a non-executive Director and Mr. Wong Ah Yu, an executive Director, has over 37 years of experience in the electronics and electrical industry in the PRC. The key members of the senior management team of the Group possess over 13 years of experience in the electronics and electrical industry in the PRC. For further details of the biographies and relevant industry experience of the management team, please refer to the section headed "Directors and senior management" in this prospectus.

BUSINESS STRATEGIES

The principal business objective of the Group is to further strengthen its position as an established vertically integrated manufacture solutions provider for notebook and tablet casings and to expand its market share within the industry. The Group intends to achieve its future expansion plans by pursuing the following key strategies:

Enhancing the Group's production capacity in notebook casings

The Group intends to upgrade and expand its production machinery and facilities, including to enhance its production efficiency and technical ability and to increase its production capacity. As the Group further develops its business, the Group expects that its production capability and capacity will need to be enhanced in order to expand its market share and maintain the Group's competitiveness amid stringent requirement from the Group's customers in terms of production volume, efficiency, quality and technical level. The Group plans to enhance its notebook casings production capacity by (i) leasing a new factory for a term of ten years; (ii) expanding the scale of production by installing additional equipment and production lines; and (iii) increasing the level of automation in the process and installing new automated equipment and machineries. With the enhanced production capacity and increased level of automation in the production process, coupled with the Group's research and development effort, the Directors believe that the Group can (i) maintain better profit margin by selling more high-end products, and (ii) fulfill the customers' increasing demand for high-end products in the PRC such that the Group can maintain a long and stable business relationships with the major customers of the Group.

For details of the Group's expansion plan, please refer to the section "Future plans and use of proceeds from the Share Offer — Implementation plan" in this prospectus.

Upgrading the level of skillset in the production process

To further diversify the product range and customer base, the Directors believe that offering a broader product line to customers will provide the Group with additional income streams and thus enhance profitability. Currently, the Group manufactures semi-finished components of notebook casings and tablets casings. The Group will continue to work on its existing products and intend to develop new products such as smart robot casing to expand the range of products. In respect of research and development efforts, the Group will also continue to enhance the research and development capabilities by employing additional qualified research and development personnel, acquiring additional testing equipment and intended continued collaboration with universities and institutions and improving the existing products to adapt to changing customer needs.

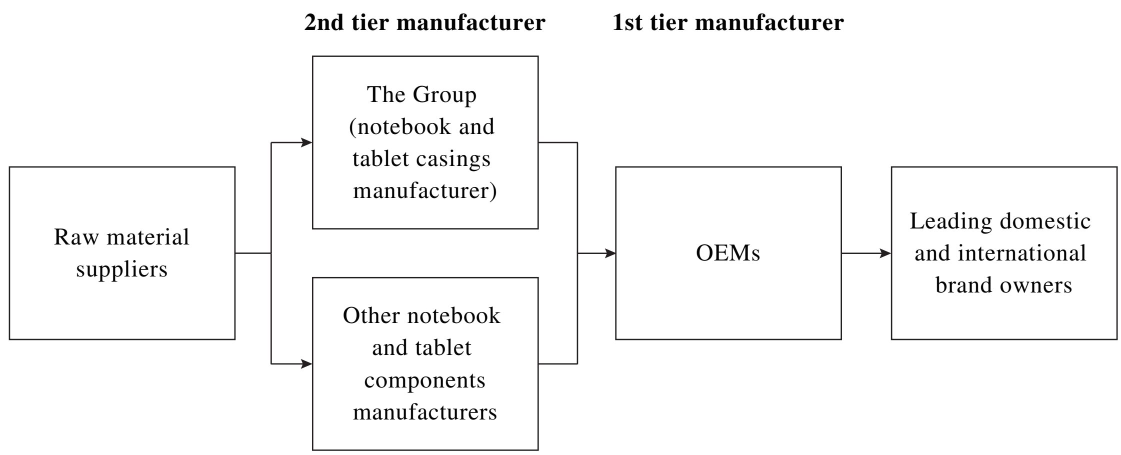
Strengthening the customer base

The Directors believe the past success of the Group was attributable to its diverse surface decoration techniques provided to its customers. Currently, the Group's casing products adopt different surface decoration techniques including spray painting, IML, IMR, LMF and double-shot injection. In particular, the Group provides a large variety of decoration techniques that could keep up with the ever changing market preference and maintain its presence in the notebook and tablet casing manufacturing industry.

Leveraged on the increased production capacity and enhanced production technology, the Group would be able to satisfy various customers' requirements and specifications for notebook and tablet casings. The Group is expected to devote more marketing efforts to existing customers as well as develop new business relationships with other OEMs and leading domestic and international brand owners. By liaising with existing and potential customers on a regular basis, the Group could grasp a better understanding on market trend and the latest technological development in the industry which enable the Group to fulfill the needs of its customers and maintain its competitiveness in the industry.

BUSINESS MODEL

The Group's business model comprises the production and sales of notebook and tablet casings, and other accessories. The Group is part of the notebook and tablet supply chain. The following diagram illustrates the business model of the Group in the context of the notebook and tablet industry.



Generally, the leading domestic and international brand owners designate several OEMs to supply their branded notebooks and tablets. The OEMs in turn subcontract the manufacture of notebook and tablet casings to several notebook and tablet casings manufacturers similar to the Group. There has been no change in the Group's business focus during the Track Record Period and up to the Latest Practicable Date.

PRODUCTS

Types of products

The Group produces notebook and tablet casings which are supplied to major OEMs who manufacture and assemble computers and tablets with production bases in the PRC. As a "one-stop" manufacturing solution provider, the Group adopts various production processes and decorative moulding techniques. The Group's products are generally categorised into notebook casings, tablet casings and other accessories which are made of plastic and/or metal components. Other accessories mainly include casings for routers and portable chargers.

Mould fabrication and plastic injection moulding process are utilised by the Group to manufacture plastic components of products such as notebook casings, tablet casings and other accessories. The Group employs decorative moulding techniques such as IMR and IML to enhance the appearance of casings. IMR technology is a process where the film, onto which the design has been printed, is inserted into the mould. Resin is then introduced to the mould and the design transfers onto the component while it is being moulded. It enables the implementation of sophisticated graphics on resin products with complex surface and makes it easy to change colors and graphics. IML technology is a process similar to IMR while the film is pressed onto the object and the pattern or colour is embedded in the middle layer of the casings after cooling. IML can prevent the surface from being scratched and it is friction resistant while it also maintains the sharpness on the surface and makes colours durable. Plastic components mainly require the use of resins which are PC, ABS or PC/ABS. For details of different decoration techniques, please refer to the section headed "Business — Production process" in this prospectus.

Metal stamping and LMF are employed by the Group to manufacture metal components of casings. The Group mainly uses aluminium metal plates for the production of metal components.

Notebook casings

Notebook casings

Mouse casings

During the Track Record Period, the Group manufactured and sold casings and components for over 150 models of notebook in accordance with the customers' specifications. For each of the notebook model, the Group involved in the sales of one or certain components of the notebook casing, including but not limited to, screen cover, screen frame, keyboard cover, bottom case, mouse casings and other accessories and components. For each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, the Group sold approximately 17.3 million, 20.4 million, 28.1 million and 21.8 million units of notebook casing products, respectively.

Tablet casings

Tablet casings

During the Track Record Period, the Group manufactured and sold casings and components for 9 models of tablet in accordance with the customers' specifications. For each of the tablet models, the Group was involved in the sales of one or certain components of the tablet casing, including but not limited to, upper case, lower case and other accessories and components. For each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, the Group sold approximately 6.4 million, 0.7 million, 0.9 million and 0.4 million units of tablet casing products, respectively.

Other accessories

Router casings

Portable charger casings

During the Track Record Period, the Group manufactured over 15 models of other accessories which mainly include casings for routers and portable chargers in accordance with the customers' specifications. For each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, the Group sold approximately 0.4 million, 2.0 million, 3.3 million and 0.7 million units of other accessories, respectively.

Revenue and sales volume

For each of the three years ended 31 December 2016, the revenue of the Group amounted to approximately HK$376.3 million, HK$422.7 million and HK$463.9 million, respectively. The Group recorded revenue of approximately HK$257.8 million and HK$351.5 million for each of the eight months ended 31 August 2016 and 2017, respectively. The following table sets out the breakdown of the Group's revenue by product type during the three years ended 31 December 2016:

	Year ended 31 December					
	2014		**2015**		**2016**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Notebook casings	245,459	65.2	406,386	96.2	448,136	96.6
Tablet casings	127,248	33.8	10,684	2.5	8,660	1.9
Others	3,587	1.0	5,595	1.3	7,141	1.5
Total	**376,294**	**100.0**	**422,665**	**100.0**	**463,937**	**100.0**

The table below sets out the breakdown of the Group's revenue by product type during the eight months ended 31 August 2016 and 2017:

	Eight months ended 31 August			
	2016		**2017**	
	HK$'000	*%*	*HK$'000*	*%*
Notebook casings	247,052	95.8	337,641	96.1
Tablet casings	4,808	1.9	6,831	1.9
Others	5,946	2.3	7,045	2.0
Total	**257,806**	**100.0**	**351,517**	**100.0**

For each of the three years ended 31 December 2016, the sales volume of the Group amounted to approximately 24.1 million, 23.1 million and 32.3 million units of notebook and tablet casings and other accessories, respectively. The Group's sales volume amounted to approximately 18.3 million and 22.9 million units during each of the eight months ended 31 August 2016 and 2017, respectively. Set out below are the total sales quantities by type of products during the three years ended 31 December 2016:

	Year ended 31 December					
	2014		**2015**		**2016**	
	Units sold ('000)	*%*	*Units sold ('000)*	*%*	*Units sold ('000)*	*%*
Notebook casings	17,306	71.8	20,392	88.4	28,112	87.1
Tablet casings	6,401	26.5	697	3.0	874	2.7
Others	411	1.7	1,993	8.6	3,297	10.2
Total	**24,118**	**100.0**	**23,082**	**100.0**	**32,283**	**100.0**

Set out below are the total sales quantities by type of products during the eight months ended 31 August 2016 and 2017:

	Eight months ended 31 August			
	2016		2017	
	Units sold ('000)	*%*	*Units sold ('000)*	*%*
Notebook casings	14,960	81.8	21,814	95.4
Tablet casings	485	2.6	394	1.7
Others	2,852	15.6	669	2.9
Total	**18,297**	**100.0**	**22,877**	**100.0**

Set out below are the average gross profit margins by type of products during the Track Record Period:

	Year ended 31 December			Eight months ended 31 August	
	2014	2015	2016	2016	2017
	%	*%*	*%*	*%*	*%*
Notebook casings	21.7	21.0	22.3	19.2	19.5
Tablet casings	23.0	19.5	23.2	21.7	14.4
Others	18.0	19.2	16.5	14.6	18.8
Overall	**22.1**	**21.0**	**22.3**	**19.2**	**19.4**

Seasonality

The sales volume of the Group has historically been affected by seasonality. As the Group's products are used by its customers in their respective manufacturing processes, the demand for the Group's products fluctuates in accordance with fluctuations in the demand for the customers' products. Notebooks and tablets have generally been in higher demand during the second half of each calendar year due to the seasonal purchase patterns of consumers affected by factors such as summer holidays, Christmas holidays and the Chinese New Year. Driven by the demand of end-products, the Group recorded higher revenue in the second half of the year than that of the first half of the year in each of the years during the Track Record Period. Please refer to the section headed "Risk factors — Risks relating to the Group's business — The Group's sales may fluctuate and be affected by seasonality" and "Financial information — Factors affecting the Group's results of operations and financial condition — Seasonality" in this prospectus.

SALES AND MARKETING

Overview

The sales department of the Group is responsible for the sales and marketing activities of the Group mainly in the PRC. As at the Latest Practicable Date, the sales department of the Group consisted of 12 staff. The sales department is responsible for formulating the Group's overall sales strategies and targets, collecting and analysing market data, identifying and contacting potential customers, negotiating and finalising sales contracts with customers, handling enquiries from existing customers, and following up orders and shipments of products for customers.

Set out below is the breakdown of the Group's revenue by location of the customers during the three years ended 31 December 2016:

	Year ended 31 December					
	2014		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
The PRC	368,283	97.9	396,185	93.7	456,975	98.5
Taiwan	3,102	0.8	23,892	5.7	6,778	1.5
Others	4,909	1.3	2,588	0.6	184	0.0
Total	**376,294**	**100.0**	**422,665**	**100.0**	**463,937**	**100.0**

Set out below is the breakdown of the Group's revenue by location of the customers during the eight months ended 31 August 2016 and 2017:

	Eight months ended 31 August			
	2016		2017	
	HK$'000	*%*	*HK$'000*	*%*
The PRC	253,309	98.2	348,971	99.3
Taiwan	4,324	1.7	2,210	0.6
Others	173	0.1	336	0.1
Total	**257,806**	**100.0**	**351,517**	**100.0**

Note: During the Track Record Period, other locations include Hong Kong and the United States.

The PRC is the Group's most important market and accounted for approximately 97.9%, 93.7%, 98.5% and 99.3% of the Group's revenue for each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively. The sales were principally made to OEMs of notebooks and tablets.

To maintain close relationship with existing customers and foster new business relationships with potential customers of the Group, staff of the sales department pay regular visits to existing customers in the PRC and Taiwan in an attempt to keep pace with customers' requirements and development trend and direction. The Group also showcases to potential customers the Group's product manufacturing solutions and production capability through face-to-face presentations or by inviting them to visit the production facilities of the Group located at the Changshu Factory in the PRC.

Generally, potential customers would provide the design blueprint of the products and seek quotation from the sales department of the Group from time to time. The sales department then collaborates with engineers to understand the physical properties, functional and appearance requirements for their products, and offer custom-made feasibility and optimisation advice. The Group then gets back to the customer with a quotation by taking into account the mould specifications, budget, timetable and resource allocation arrangements.

To the best of the Directors' understanding, some of the sizable OEMs serving leading domestic and international brand owners of notebook and tablet have maintained a list of qualified suppliers from which quotations are sought from time to time. Through regular site visits and communication with the Group, these OEMs and/or brand owners constantly evaluate the production capacity and technical level of the Group. Such practice also keeps the Group informed of customer needs and allows the Group to react to markets changes proactively.

Pricing policy

The Group takes into consideration a number of factors in determining the pricing policies, which include market supply and demand, prices set by competitors, costs of production and technical specifications of the products.

During the Track Record Period, the Group in general used a cost-plus basis to determine the selling price of its notebook and tablet casings with the consideration of (i) the possible market price of the product; and (ii) the mark-up generally acceptable to the Group's customers based on the Directors' experience in dealing with the customers. Other factors such as the complexities and specifications of the product, the costs of raw materials, the order size, as well as the estimated time required and resources involved are also considered.

Product return and requirements on product quality and safety

The Group's products may be subject to certain product quality and/or safety requirements in the PRC. Please refer to the section headed "Regulatory framework" in this prospectus for details of such requirements on product quality and customer protection for its PRC sales during the Track Record Period. The Directors confirmed that the Group has complied with all relevant requirements on product quality and customer protection for its PRC sales during the Track Record Period and up to the Latest Practicable Date.

The Group tests and inspects the products extensively prior to delivery to customers to minimise quality issues. In general, the Group delivers goods to the destination specified by the customers where quality inspection would be performed by customers on site. Upon completion of the quality inspection, customers would notify the Company of the quantity of substandard goods, if any, which are not accepted by them due to quality issues such as non-conformity of specifications, late delivery and incorrect quantity shipped against the relevant sales order without authorisation. In this case, the Group may rework on those substandard goods rejected by customers or discard the goods accordingly. The Group would recognise revenue on goods delivered and accepted by customers. As such, the Group does not have a product return policy and the Directors do not consider this policy necessary in the Group's ordinary course of business. The Group did not experience any material product rejection or complaint from its customers as a result of product quality issue during the Track Record Period, which is considered by the Group to be attributable to the Group's stringent quality control. Please refer to the section headed "Business — Production process — Quality control" in this prospectus for further details of the Group's quality control. Taking into account the fact that the amounts of product rejection were insignificant compared to the Group's revenue, the Directors consider that the product rejection did not indicate any deficiency on the Group's quality control measures.

CUSTOMERS

Characteristics of the Group's customers

The Group's customers are mainly OEMs which manufacture notebooks, tablets and other smart devices. The notebook and tablet casings are sold and delivered to the customers' production plants in the PRC for further processing before sale to brand owners. For each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, the Group had no less than 40, 40, 48 and 38 customers, respectively.

The Group selects its customers in a prudent way as the Group prefers long-term relationships with its customers instead of one-off orders placed by random customers. It is also the Group's policy that the customers must be financially sound in order to minimise the risk of payment defaults by its customers. Please refer to the section headed "Business — Customers — Payment terms and trade and bills receivables" in this prospectus for further details on how the Group managed to minimise the credit risks.

The Group's customers typically place purchase orders with the Group on a transaction basis. No long-term purchase agreements were entered into between the customers and the Group during the Track Record Period.

Salient terms of a typical sales transaction

In a typical sales transaction for the Group's products, the customer will first issue a purchase order to the Group, and the Group will issue a sales order in return. Salient terms of a typical sales are summarised as below:

(i) Product description

A brief description of the products, including the type of product, model, size, key materials and surface decoration techniques required, is specified.

(ii) Order details

The quantity, the unit price and the total amount are specified. Certain customers send a bill of materials to the Group that lists out the materials required.

(iii) Delivery details

The shipment date is specified, which is usually 45 to 90 days from the date of the purchase order for notebook and tablet casings and components depending on the complexity and length of manufacture process.

In general, the Group pays for transportation of the goods to the destination specified by its customers. The ownership of the goods passes from the Group to the customers when the goods arrived at such destinations and accepted by customers.

Some of the Group's customers may also specify that certain raw materials and/or semi-finished products, such as resin, film, ink, metal plates and other accessories and component, shall be sourced from suppliers designated by the customers. For details of purchase of raw materials and semi-finished products, please refer to the section headed "Business — Suppliers, materials and inventory" in this prospectus.

Denomination of sales

Set out below is the breakdown of the Group's revenue during the three years ended 31 December 2016 by currency denomination:

	Year ended 31 December					
	2014		**2015**		**2016**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
US$	368,195	97.8	416,939	98.6	396,022	85.4
RMB	8,099	2.2	5,726	1.4	67,915	14.6
Total	**376,294**	**100.0**	**422,665**	**100.0**	**463,937**	**100.0**

Set out below is the breakdown of the Group's revenue by currency denomination during the eight months ended 31 August 2016 and 2017:

	Eight months ended 31 August			
	2016		**2017**	
	HK$'000	*%*	*HK$'000*	*%*
US$	241,887	93.8	319,638	90.9
RMB	15,919	6.2	31,879	9.1
Total	**257,806**	**100.0**	**351,517**	**100.0**

As the Group's sales are denominated in US$ while the costs are mainly denominated in RMB given the Group's principal operation is in the PRC, the movements in the exchange rate between US$ and RMB have a direct effect on the Group's financial performance. As such, an appreciation of RMB against US$ will lead to an increased cost of sales and a decreased profit margin of the Group. Please refer to the section headed "Risk factors — The Group faces foreign exchange risks and translation risks" in this prospectus for the currency risk.

Payment terms and trade and bills receivables

For most of the Group's major customers, the Group usually allows a credit period of 30 to 120 days to its customers.

In order to minimise the risk of default from its customers, the Group selects its customers in a prudent way and avoids offering credit periods to customers with unknown or doubtful financial conditions.

Generally, the Group accepts payment by telegraphic transfer.

Top customers

For each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, the percentage of the Group's total revenue attributable to Group's largest customer amounted to approximately 48.1%, 55.2%, 45.3% and 59.2% respectively, while the percentage of the Group's total revenue attributable to the Group's five largest customers combined amounted to approximately 94.8%, 94.5%, 88.7% and 94.3% respectively.

Set out below is a breakdown of the Group's revenue by top five customers in terms of revenue contribution:

For the year ended 31 December 2014

	HK$'000	*As % of total revenue*
Quanta Computer Inc. (1st largest customer)	181,062	48.1
Compal Electronics, Inc. (2nd largest customer)	142,522	37.9
Micro-star International Co., Ltd. (3rd largest customer)	25,243	6.7
Lengda Technology (Hong Kong) Co., Ltd. (4th largest customer)	4,901	1.3
Kapok Computer (Kunshan) Co., Ltd. (5th largest customer)	3,118	0.8
Five largest customers combined	356,846	94.8
All other customers	19,448	5.2
Total revenue	376,294	100.0

For the year ended 31 December 2015

	HK$'000	As % of total revenue
Quanta Computer Inc. (1st largest customer)	233,256	55.2
Compal Electronics, Inc. (2nd largest customer)	126,942	30.0
Pegatron Corporation (3rd largest customer)	22,729	5.4
Micro-star International Co., Ltd. (4th largest customer)	11,608	2.8
LCFC (Hefei) Electronics Technology Co., Ltd. (5th largest customer)	4,797	1.1
Five largest customers combined	399,332	94.5
All other customers	23,333	5.5
Total revenue	422,665	100.0

For the year ended 31 December 2016

	HK$'000	As % of total revenue
Quanta Computer Inc. (1st largest customer)	210,354	45.3
Compal Electronics, Inc. (2nd largest customer)	159,410	34.4
Suzhou Jiatai Material Technology Co., Ltd (3rd largest customer)	18,697	4.0
Xiamen Wanjin Trading Co., Ltd. (4th largest customer)	11,565	2.5
Guangxi Sanchuang Technology Co., Ltd. (5th largest customer)	11,505	2.5
Five largest customers combined	411,531	88.7
All other customers	52,406	11.3
Total revenue	463,937	100.0

For the eight months ended 31 August 2017

	HK$'000	*As % of total revenue*
Compal Electronics, Inc. (1st largest customer)	208,128	59.2
Quanta Computer Inc. (2nd largest customer)	100,348	28.5
Guangxi Sanchuang Technology Co., Ltd (3rd largest customer)	9,901	2.8
Dongguan Huabei Electronic Technology Co., Ltd. (4th largest customer)	9,720	2.8
Megaforce (Shanghai) Electronic & Plastic Co., Ltd. (5th largest customer)	3,357	1.0
Five largest customers combined	331,454	94.3
All other customers	20,063	5.7
Total revenue	351,517	100.0

To the best knowledge of the Directors, none of the Directors, their associates, or any Shareholders who owned more than 5% of the number of issued shares of the Company as at the Latest Practicable Date had any interest in any of the five largest customers of the Group during the Track Record Period.

Set out below is the background information of the five largest customers of the Group during the Track Record Period:

Customer	**Principal business**	**Type of products purchased from the Group**	**Approximate year(s) of business relationship as at the Latest Practicable Date**	**Typical credit terms offered by the Group and payment method**
Compal Electronics, Inc. *(Note)*	Design, manufacture and sales of electronic products	Notebook and tablet casings	5	105 or 120 days credit terms, paid by telegraphic transfer
Micro-star International Co., Ltd.	Design, manufacture and sales of a diverse range of mainboards, graphic cards, notebooks and other computer related products	Notebook casings and components	6	120 days credit terms, paid by telegraphic transfer

Customer	Principal business	Type of products purchased from the Group	Approximate year(s) of business relationship as at the Latest Practicable Date	Typical credit terms offered by the Group and payment method
Quanta Computer Inc. *(Note)*	Design, manufacture, processing and sales of computers, microprocessors, notebooks and other electronic equipments	Notebook and tablet casings	4	90 to 120 days credit terms, paid by telegraphic transfer
Lengda Technology (Hong Kong) Co., Ltd. *(Note)*	Development, manufacture and marketing of notebooks, tablets and other peripheral products	Notebook casings and components	5	30 days credit terms, paid by telegraphic transfer
Kapok Computer (Kunshan) Co., Ltd.	Manufacture and sales of notebooks, tablets and other communication products and components	Notebook casings and components	4	120 days credit terms, paid by telegraphic transfer
Pegatron Corporation *(Note)*	Development, design and manufacture of peripherals and components of electronic products	Notebook casings and components	3	120 days credit terms, paid by telegraphic transfer
LCFC (Hefei) Electronics Technology Co., Ltd.	Manufacture and distribution of IT products	Notebook casings and components	3	120 days credit terms, paid by telegraphic transfer
Suzhou Jiatai Material Technology Co., Ltd* ("**Suzhou Jiatai**")	Production and sales of electronic components	Notebook casings and components	1	120 days credit terms, paid by telegraphic transfer
Xiamen Wanjin Trading Co., Ltd.*	Trading of various type of products including mechanical and electronic equipment	Notebook casings and components	1	120 days credit terms, paid by telegraphic transfer

Customer	Principal business	Type of products purchased from the Group	Approximate year(s) of business relationship as at the Latest Practicable Date	Typical credit terms offered by the Group and payment method
Guangxi Sanchuang Technology Co., Ltd.	Sales of notebook, electronic and smart products and accessories, as well as general import and export business	Notebook casings and components	1	120 days credit terms, paid by telegraphic transfer
Dongguan Huabei Electronic Technology Co., Ltd.	Development, design and manufacture of notebooks, smartphones and other communication products and electronic components	Notebook casings and components	1	90 days credit terms, paid by telegraphic transfer
Megaforce (Shanghai) Electronic & Plastic Co., Ltd.	Manufacture and sales of plastic components	Notebook casings and components	2	120 days credit terms paid by telegraphic transfer

* *For identification purposes only*

Note: The customer represents the ultimate holding company of one or more of its group companies which traded with the Group during the Track Record Period.

Compal Electronics, Inc. is incorporated in Taiwan and is a company listed on the Taiwan Stock Exchange. Its principal activities are design, manufacture and sales of electronic products. According to the latest annual report of Compal Electronics, Inc., it recorded a revenue of approximately NTD766.8 billion and a net profit of approximately NTD9.0 billion for the year ended 31 December 2016.

Micro-star International Co., Ltd. is incorporated in Taiwan and is a company listed on the Taiwan Stock Exchange. Its principal activities are design, manufacture and sales of a diverse range of mainboards, graphic cards, notebooks and other computer related products. According to the latest annual report of Micro-star International Co., Ltd., it recorded a revenue of approximately NTD102.2 billion and a net profit of approximately NTD4.9 billion for the year ended 31 December 2016.

Quanta Computer Inc. is incorporated in Taiwan and is a company listed on the Taiwan Stock Exchange. Its principal activities are the design, manufacture, processing and sale of computers, microprocessors, notebooks and other electronic equipment. According to the latest annual report of Quanta Computer Inc., it recorded a revenue of approximately NTD894.0 billion and a net profit of approximately NTD15.4 billion for the year ended 31 December 2016.

Lengda Technology (Hong Kong) Co., Ltd. is a private company incorporated in Hong Kong and its principal activities are the development, manufacture and marketing of notebooks, tablets and other peripheral products for brands and OEM.

Kapok Computer (Kunshan) Co., Ltd. is a company established in the PRC and its principal activities are the manufacture and sales of notebooks, tablets and other communication products and components. The parent company of Kapok Computer (Kunshan) Co., Ltd. is a company listed on the Taiwan Stock Exchange and its principal activities are the design, manufacture and sales of various displays, computer and computer peripheral products, trading and leasing of properties. According to the latest annual report of Kapok Computer (Kunshan) Co., Ltd.'s parent company, it recorded a revenue of approximately NTD19.7 billion and a net profit of approximately NTD595.7 million for the year ended 31 December 2016.

Pegatron Corporation is a company incorporated in Taiwan and its principal activities are the development, design and manufacture of peripherals and components of electronic products in computing, communications and consumer electronics. It is listed on the Taiwan Stock Exchange and according to its annual report, it recorded a revenue of approximately NTD1,157.7 billion and a net profit of approximately NTD22.1 billion for the year ended 31 December 2016.

LCFC (Hefei) Electronics Technology Co., Ltd. is a company established in the PRC and its principal activities are the manufacture and distribution of IT products. The parent company of LCFC (Hefei) Electronics Technology Co., Ltd. is a company listed on the Main Board and its principal activities are the development, manufacture and marketing of technology products and services. According to the latest annual report of LCFC (Hefei) Electronics Technology Co., Ltd.'s parent company, it recorded a revenue of approximately USD43.0 billion and a net profit of approximately USD530.4 million for the year ended 31 March 2017.

Suzhou Jiatai is a company established in the PRC and its principal activities are the production and sales of electronic components. Its total paid up capital was approximately RMB29.6 million. During the Track Record Period, apart from being the Group's customer, Suzhou Jiatai was also the Group's landlord and subcontractor. For details in relation to Suzhou Jiatai being a landlord and subcontractor of the Group, please refer to the sections headed "Business — Properties" and "Business — Suppliers, materials and inventory — Entities who are both a supplier and customer of the Group", respectively. During the Track Record Period, Tongda Group has provided financial assistance to Suzhou Jiatai and employed anodising services from Suzhou Jiatai since July 2015 and April 2016, respectively. Suzhou Jiatai is wholly owned by Changshu Baishi Electric Co. Ltd.* (常熟百時電器有限公司), a company established in the PRC, and its ultimate beneficial shareholder is Mr. Dai Qiqiang (戴啟強). To the best information, knowledge and belief of the Directors, Suzhou Jiatai and its ultimate beneficial owner are Independent Third Parties.

The Directors confirm that the arrangement of financial assistance provided by Tongda Group to Suzhou Jiatai is not related to the Group and that the Group is not involved in the arrangement. To the best knowledge and understanding of the Directors, the financial assistance provided by Tongda Shishi to Suzhou Jiatai was originated from the negotiation between Mr. Dai Qiqiang, the ultimate beneficial owner of Suzhou Jiatai, and the management of Tongda Shishi in relation to the sales of entire equity interest of Suzhou Jiatai to Tongda Shishi in 2015. In view of such intended sales and purchase coupled with Suzhou Jiatai's funding shortages at the material time, Tongda Shishi, being the potential purchaser of the equity interest of Suzhou Jiatai, provided financial assistance to Suzhou Jiatai for purchasing plants and machineries. As a result of several loans drawn under different loan agreements entered into between the parties from time to time, the principal amount of the financial assistance totalled approximately RMB57.6 million which will be repayable on or before end of 2019 (i.e. after the Listing).

As at the Latest Practicable Date, the negotiation of the intended transfer of the entire equity interest of Suzhou Jiatai from the Shareholder of Suzhou Jiatai to Tongda Shishi was still in progress and no formal sales and purchase agreement has been entered by the parties. During the three years ended 31 December 2016 and the eight months ended 31 August 2017, the total financial assistance provided by Tongda Group to Suzhou Jiatai up to approximately HK$58.1 million and HK$67.2 million, respectively, of which HK$55.9 million and HK$54.4 million remained outstanding as at 31 December 2016 and 31 August 2017, respectively. The amount of interest gained by Tongda Shishi from the financial assistance to Suzhou Jiatai was approximately HK$0.2 million, HK$2.4 million and HK$1.6 million for each of the two years ended 31 December 2016 and the eight months ended 31 August 2017, respectively.

Given the multiple roles by Tongda Group as the financier and major customer of Suzhou Jiatai which may pose reliance implications by Suzhou Jiatai on the Tongda Group, and that the potential reliance issue which in turn may have posed on Tongda Group by the Group, the Board confirmed that the Group has ceased to receive sales orders from and place purchase orders to Suzhou Jiatai since 1 April 2017. The Directors confirmed that the cessation of sales and purchase transactions with Suzhou Jiatai will not materially affect the Group's business and financial performance.

Xiamen Wanjin Trading Co., Ltd. is a company established in the PRC and its principal activities are the trading of various type of products including mechanical and electronic equipment. Its total paid up capital was RMB1 million.

Guangxi Sanchuang Technology Co., Ltd. is a company established in the PRC and its principal activities are the sales of notebook, electronic and smart products and accessories, as well as general import and export business. Its total paid up capital was approximately RMB300 million.

Dongguan Huabei Electronic Technology Co., Ltd. is a company established in the PRC and its principal activities are development, design and manufacture of notebooks, smartphones, other communication products and electronic components. Its total paid up capital was approximately RMB900 million.

Megaforce (Shanghai) Electronic & Plastic Co., Ltd. is a company incorporated in Taiwan and its principal activities are the manufacture and sales of plastic components. Megaforce (Shanghai) Electronic & Plastic Co., Ltd.'s parent company is listed on the Taiwan Stock Exchange and according to its latest annual report, it recorded a revenue of approximately NTD5.17 billion and a net profit of approximately NTD94.1 million for the year ended 31 December 2016.

Customers concentration

For each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, the Group's five largest customers aggregately accounted for approximately 94.8%, 94.5%, 88.7% and 94.3% of the Group's total revenue respectively. Two out of five largest customers of the Group, namely Compal Electronics, Inc. and Quanta Computer Inc., had stayed with the Group throughout the Track Record Period, contributing approximately 86.0%, 85.2%, 79.7% and 87.7% of the Group's total revenue for the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively. The Directors consider that such customer concentration is not uncommon for notebook and tablet components manufacturers and the business model of the Group is sustainable despite the customer concentration due to the following factors:

(i) The notebook and tablet market in the world is dominated by several leading international brand owners and OEMs

According to the CRI Report, the top five brand owners in global notebook market aggregately accounted for approximately 76.7% and 81.2% of the market share while the top five brand owners in global tablet market aggregately accounted for approximately 49.6% and 50.8% of the market share in terms of shipment volume in 2015 and 2016 respectively. As such, the notebook and tablet market is virtually dominated by several renowned international brand owners. These brand owners would partner with sizable OEMs in the production of notebooks and tablets. With reference to the CRI Report, approximately 76% of the global shipments of notebook and tablet in 2016 were produced by five largest OEMs which are all renowned public companies listed overseas, the subsidiaries of three of which, namely Compal Electronics, Inc., Quanta Computer Inc. and Pegatron Corporation, are three of the five largest customers of the Group during the Track Record Period. Compal Electronics, Inc. and Quanta Computer Inc. which aggregately contributed approximately 86.0%, 85.2%, 79.7% and 87.7% of revenue of the Group for the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively are the top two OEMs for production of notebook in the world, manufacturing approximately 50% of total global shipments volume in 2016.

In contrast to the highly concentrated OEMs industry, the upstream of the notebook and tablet supply chain, in particular the notebook and tablet casing industry is highly fragmented and overflowed with thousands of manufacturers. Accordingly, each market participant only accounts for a tiny fraction of the notebook and tablet casing market. With reference to the CRI Report, the Group only accounted for approximately 2.8% of market share in terms of global notebook casings shipment volume and approximately 0.1% of market share in terms of global tablet casings shipment volume respectively in first half of 2017.

Since (i) the global production of notebook and tablet is concentrated in several OEMs partnered with the international brand owners; and (ii) the notebook and tablet casings market is highly fragmented with numerous small to medium sized enterprises producing components of notebook and tablet, the tremendous production orders placed by these sizable OEMs come to represent a substantial portion of the Group's total revenue during the Track Record Period.

(ii) Optimise the utilisation of current production capacity of the Group

The Directors consider that purchase orders from sizable customers including but not limited to Compal Electronics, Inc. and Quanta Computer Inc. are relatively stable given that these customers would provide production schedule that allows the Group to manage its production plan beforehand and thus optimise the utilisation of production capacity of the Group. The utilisation rate of the production facility of the Group was approximately 85.0%, 67.3%, 75.3% and 88.2% for each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively. For details, please refer to the paragraph headed "Production equipment, facilities, capacity and utilisation" in this section.

The Directors manage to reduce idle capacity of the Group during the Track Record Period by engaging in projects that generate recurring purchase orders. In light of the considerable production scale, it is an ordinary market practice for sizable OEMs, including but not limited to the Group's five largest customers during the Track Record Period, to place recurring purchase orders on the same products in the stage of mass production. The Directors are of the view that annual demand for the Group's products could be secured by soliciting sales to several sizable customers.

(iii) Well established business relationship with customers including Compal Electronics, Inc. and Quanta Computer Inc.

The Group has business relationship of approximately 5 and 4 years with Compal Electronics, Inc., and Quanta Computer Inc. respectively which aggregately contributed around 80% of the Group's total revenue during the Track Record Period. The Directors believe that the Group has established a stable and long term business relationship with them.

The Group regularly works with its customers on new product developments, and communicates with its customers through face-to-face meetings, phone calls and email communications. Through such frequent contacts, the Directors believe that the Group has a sound understanding of the needs and preferences of its customers, which helps to maintain the relationship between the Group and its customers. The Directors believe that these relationships are attributable to the consistent product quality, timely delivery of the Group's products and the quick response to market demand for different product specifications. The Group shall endeavour to strengthen the continuing alliance with these customers.

(iv) Admitted by brand owners and/or the Group's customers as a qualified supplier

The leading international brand owners and OEMs have carried out regular site visit and communication with the Group to evaluate the production capacity and technical level of the Group during the Track Record Period, to which as far as the Directors understand, is a quality control practice commonly adopted by brand owners and OEMs on their respective list of qualified suppliers from which quotations are sought from time to time.

Material terms of business arrangements with Quanta Computer Inc. and Compal Electronics, Inc.

As at the Latest Practicable Date, the Group has business relationships of approximately 3 and 4 years with Quanta Computer Inc. and Compal Electronics, Inc., respectively. The Group typically allows a credit period of 90 or 120 days to Quanta Computer Inc. and 105 or 120 days to Compal Electronics, Inc., respectively. During the Track Record Period, the Group generally did not offer any discounts and rebates to Quanta Computer Inc. and Compal Electronics, Inc., and there was no minimum order quantity imposed on the Group. The Group has entered into framework agreements with Quanta Computer Inc. and Compal Electronics, Inc., which set out the general terms and conditions, including:

(i) scope of work to be performed by the Group

The scope of work to be performed by the Group would generally be disclosed in the actual purchase orders. The Group generally is responsible for producing notebook and tablet casing and components.

(ii) contract period

The Group generally enters into the framework agreements for a term of one year, which are generally automatically renewed for the same term.

(iii) typical shipping arrangement

The Group is required to deliver the products in accordance with the delivery date as indicated in actual purchase orders or delivery requests.

(iv) termination clauses

The framework agreements may be terminated by either party by serving written notice upon an occurrence of an event of default as stated in the relevant framework agreement.

Top five international brand owners using the Group's products

The Group's products are mainly used in notebooks and tablets manufactured by OEMs for domestic and international brand owners. For each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, the number of brands using the Group's products was 16, 19, 17 and 18, respectively.

Set out below is a breakdown of the Group's revenue by top five brands using the Group's products during the Track Record Period:

For the year ended 31 December 2014

	HK$'000	*As % of total revenue*
Brand A (1st largest brand)	144,011	38.3
Brand C (2nd largest brand)	122,721	32.6
Brand B (3rd largest brand)	57,314	15.2
Brand D (4th largest brand)	5,096	1.4
Brand E (5th largest brand)	3,315	0.9
Five largest brands combined	332,457	88.4
Other brands	11,838	3.1
Products with no brands	31,999	8.5
Total revenue	376,294	100.0

For the year ended 31 December 2015

	HK$'000	*As % of total revenue*
Brand A (1st largest brand)	192,895	45.6
Brand B (2nd largest brand)	156,205	37.0
Brand C (3rd largest brand)	6,546	1.6
Brand D (4th largest brand)	5,932	1.4
Brand F (5th largest brand)	4,763	1.1
Five largest brands combined	366,341	86.7
Other brands	20,902	4.9
Products with no brands	35,422	8.4
Total revenue	422,665	100.0

For the year ended 31 December 2016

	HK$'000	*As % of total revenue*
Brand B (1st largest brand)	211,330	45.6
Brand A (2nd largest brand)	176,641	38.1
Brand G (3rd largest brand)	22,445	4.8
Brand F (4th largest brand)	6,419	1.4
Brand H (5th largest brand)	4,605	1.0
Five largest brands combined	421,440	90.9
Other brands	20,928	4.5
Products with no brands	21,569	4.6
Total revenue	463,937	100.0

For the eight months ended 31 August 2017

	HK$'000	*As % of total revenue*
Brand B (1st largest brand)	224,192	63.8
Brand A (2nd largest brand)	85,402	24.3
Brand G (3rd largest brand)	18,928	5.4
Brand I (4th largest brand)	4,053	1.2
Brand J (5th largest brand)	2,979	0.8
Five largest brands combined	335,554	95.5
Other brands	13,828	3.9
Products with no brands	2,135	0.6
Total revenue	351,517	100.0

Set out below is the background information of the five largest brands using the Group's products during the Track Record Period:

Brand	Principal business	Major types of the Group's products used by the brand	Major OEMs which purchased from the Group
Brand A	A Japan-based company which develops, designs and sells various electronic devices	Notebook casings and components	Compal Electronics, Inc., Quanta Computer Inc. and Micro-star International Co., Ltd.
Brand B	A China-based company which develops, manufactures and markets technology products and services	Notebook casings and components	Compal Electronics, Inc., Quanta Computer Inc. and Micro-star International Co., Ltd.
Brand C	A U.S.-based company which develops, designs and sells wireless telecommunications products and services	Tablet casings and components	Quanta Computer Inc.
Brand D	A China-based company which manufactures and sells various electrical appliances and electronic devices	Notebook casings and components	Quanta Computer Inc. and Kapok Computer (Kunshan) Co., Ltd
Brand E	A Japan-based company which designs and manufactures electronic products	Tablet casings and components	Compal Electronics, Inc.
Brand F	A U.S.-based company which develops, designs and distributes electronic learning products	Tablet casings and components	Quanta Computer Inc.
Brand G	A Taiwan-based company which designs and sells various IT products	Notebook casings and components	Compal Electronics, Inc.
Brand H	A China-based company which designs and sells flat screen smart television and other portable accessories	Portable charger casings and components	Sunwoda Electronics Co, Ltd.

Brand	Principal business	Major types of the Group's products used by the brand	Major OEMs which purchased from the Group
Brand I	A Switzerland-based company which develops, designs and sells personal computer and mobile accessories	Notebook casings and components	Logitech Technology (Suzhou) Co., Ltd and Megaforce (Shanghai) Electronic & Plastic Co., Ltd.
Brand J	A Japan-based company which designs and manufactures electronic products	Notebook casings and components	Quanta Computer Inc.

Brand A is owned by a holding company which is listed on the Tokyo Stock Exchange. It is a Japan-based company which develops, designs and sells various electronic devices and created a joint venture with Brand B. According to the latest annual report of Brand A's parent company, it recorded revenue of approximately JPY2,665.0 billion and net profit of approximately JPY35.2 billion for the year ended 31 March 2017.

Brand B is owned by a holding company which is listed on the Main Board. It is a China-based company which develops, manufactures and markets technology products and services. According to the latest annual report of Brand B's parent company, it recorded revenue of approximately USD43.0 billion and net profit of approximately USD530.4 million for the year ended 31 March 2017.

Brand C is owned by a holding company which is listed on the New York Stock Exchange, The Nasdaq Stock Market and The London Stock Exchange. It is a U.S.-based company which develops, designs and sells wireless telecommunications products and services. According to the latest annual report of Brand C's parent company, it recorded revenue of approximately USD125,980.0 million and net profit of approximately USD13,608.0 million for the year ended 31 December 2016.

Brand D is owned by a holding company which is listed on the Shanghai Stock Exchange. It is a China-based company which manufactures and sells various electrical appliances and electronic devices. According to the latest annual report of Brand D's parent company, it recorded revenue of approximately RMB119.1 billion and net profit attributable to equity holders of Brand D's parent company of approximately RMB5.0 billion for the year ended 31 December 2016.

Brand E is owned by a holding company which is listed on the Tokyo Stock Exchange. It is a Japan-based company which designs and manufactures electronic products. According to the latest annual report of Brand E's parent company, it recorded revenue of approximately JPY2,050.6 billion and net loss of approximately JPY24.9 billion for the year ended 31 March 2017.

Brand F is owned by a holding company which is listed on Main Board. It is a U.S.-based company which designs and distributes electronic learning products. According to the latest annual report of Brand F's parent company, it recorded revenue of approximately USD2,079.3 million and net profit of approximately USD179.0 million for the year ended 31 March 2017.

Brand G is owned by a holding company which is listed on the Taiwan Stock Exchange Corporation and The London Stock Exchange. It is a Taiwan-based company which designs and sells various IT products. According to the latest annual report of Brand G's parent company, it recorded revenue of approximately NTD232.7 billion and net loss of approximately NTD4,900.7 million for the year ended 31 December 2016.

Brand H is owned by a holding company which is listed on the Shenzhen Stock Exchange Corporation. It is a China-based company which designs and sells flat screen smart television and other portable accessories. According to the latest annual report of Brand H's parent company, it recorded revenue of approximately RMB22.0 billion and net loss of Brand H's parent company of approximately RMB222.0 million for the year ended 31 December 2016.

Brand I is owned by a holding company which listed on the Nasdaq Stock Market and the SIX Swiss Exchange Ltd. It is a Switzerland-based company which develops, designs and sells personal computer and mobile accessories. According to the latest annual report of Brand I's parent company, it recorded revenue of approximately USD2.2 billion and net income of approximately USD205.9 million for the year ended 31 March 2017.

Brand J is owned by a private company, the holding company of which is listed on the Tokyo Stock Exchange and The New York Stock Exchange. It is a Japan-based company which designs and manufactures electronic products. According to the latest annual report of Brand J's parent company, it recorded revenue of approximately JPY7,603.3 billion and net profit of approximately JPY127.6 billion for the year ended 31 March 2017.

During the Track Record Period, the amount of revenue derived from the key brands using the Group's products principally depended on the purchase orders placed by its OEM customers. Based on the established relationships with its OEM customers and the competitive strengths possessed by the Group, the Directors believe that the Group may be able to diverse its brand portfolio and strengthen its customer base upon enhancing its production capacity in order to expand its market share within the industry. For further details of the Group's business strategies in relation to enhancing its production capacity, please refer to the section headed "Business — Business strategies — Enhancing the Group's production capacity in notebook casings".

RESEARCH AND DEVELOPMENT

The Group places strong emphasis on product development, improvement in the products and production process and customisation of the plants and machinery of the Group to cope with ever changing customers' requirements. Research and development is also crucial to customer's product development stage where the Group would work on the technical feasibility of designs provided by customers to transform an idea into a physical product. As the research and development activities are built into its production process, they are undertaken by the Group's production employees and engineers. Research and development activities are led by Mr. Ba Ping An, head of the engineering department. Further information of the qualifications and work experience of Mr. Ba Ping An is set forth in the section headed "Directors and senior management" in this prospectus.

During the Track Record Period, the research and development costs amounted to approximately HK$11.7 million, HK$13.5 million, HK$14.3 million and HK$10.6 million, respectively. The Group's research and development activities include technical study on mould fabrication and surface decoration, the testing of various production processes, the use of different combinations of raw materials, and the re-arrangement and automation of the production process so as to increase the Group's production efficiency and the utilisation rates and output rates of the products.

Set out below is an analysis of the allocations of the research and development costs during the Track Record Period:

	Year ended 31 December						Eight months ended 31 August			
	2014		2015		2016		2016		2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Raw materials	6,167	52.9	5,200	38.5	4,685	32.8	2,523	29.5	2,402	22.7
Staff costs	5,044	43.2	6,545	48.5	6,631	46.5	4,070	47.5	6,170	58.3
Depreciation	460	3.9	1,758	13.0	2,951	20.7	1,966	23.0	2,017	19.0
Total	**11,671**	**100.0**	**13,503**	**100.0**	**14,267**	**100.0**	**8,559**	**100.0**	**10,589**	**100.0**

The Directors believe that research and development costs are necessary in light of the competitive landscape of the industry for the purpose of (i) enhancing the technical level of the Group to satisfy customers' requirement in diversified product specifications; and (ii) increasing the Group's production efficiency and utilisation rate of the production facilities of notebook and tablet casings. The Group will continue to devote resources to research and development on alternate production processes in appropriate amount. The Group has not determined any fixed amount (in terms of percentage to the Group's revenue) to be dedicated to research and development in order to maintain flexibility.

The major achievements of the Group's research and development activities include the development and standardisation of new decoration technologies and procedures for the Group's production efficiency. The Group has obtained or applied for patent for its inventions and utility models. Further information on the Group's patents is set out in the paragraph headed "Intellectual property" below in this section and the section headed "B. Further information about the business — 2. Intellectual property rights of the Group" set out in Appendix IV to this prospectus.

SUPPLIERS, MATERIALS AND INVENTORY

Suppliers and subcontractors

In the Group's production process, the Group may require materials and/or services from the following parties:

(i) Third-party suppliers. The Group purchases raw materials and semi-finished products for the production of notebook and tablet casings and components from third-party suppliers, which mainly include metal plate, resin, ink and other accessories and components.

(ii) Third-party subcontractors. Since the Group may not possess the necessary equipment to perform some of the procedures in the manufacturing process, the Group may outsource these procedures to third-party subcontractors, which are mainly responsible for anodising and sputtering deposition. The Group may also outsource certain part of production to third-party subcontractors when its capacity is optimised.

Characteristics of the Group's suppliers and subcontractors

During the Track Record Period, the Group had engaged not less than 100 suppliers and not less than 5 third-party subcontractors.

The major raw materials used for the Group's production include resin, metal plate and ink. In addition, the Group also requires other semi-finished products including touchpads, thin film, mesh sheets and other accessories for its production.

Third-party subcontractors are manufacturers in the PRC to which the Group outsources some of the procedures in the manufacturing process, including but not limited to, sputtering deposition and anodising.

The Group generally places purchase orders with its suppliers after the customer's order is confirmed. The Group's purchase order generally sets out the type, pricing and quantity of raw materials that the Group requires based on the specifications designated by the customers. Customers may also specify a designated supplier of raw materials and semi-finished products in the bill of materials provided to the Group. For subcontracting arrangement, the Group would notify its customers the identities of subcontractors and the relevant procedures outsourced. As far as the Directors understand, the subcontractors engaged by the Group are qualified suppliers under the supplier list maintained by the OEMs such that the quality of their services could be assured.

The Group did not enter into any long-term agreement with, nor commit any minimum quantities to, its suppliers and third-party subcontractors.

Salient terms of a typical purchase transaction

In a typical purchase transaction, the Group will issue a purchase order to the supplier. In a typical purchase order or production order, the following salient terms are contained:

(i) Product description:

A brief description of the products is contained, including, for raw materials and semi-finished products, the technical specification of the product, quantity and colour.

(ii) Order details:

The quantity, unit price and the total amount are also specified.

(iii) Delivery details:

For the purchase of raw materials and semi-finished products, the Group usually requires its suppliers to deliver the goods at the cost of the suppliers to the Group's factory.

Pursuant to the purchase order (or a production order), the product supplier or raw material supplier shall be responsible for all claims arising on account of inferior quality and/or other non-conformities with the specifications.

Location of suppliers

The Group's suppliers are mainly located in the PRC. Set out below is a breakdown of the Group's purchases by suppliers' locations during the three years ended 31 December 2016:

	Year ended 31 December					
	2014		**2015**		**2016**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
The PRC	228,288	79.6	197,600	66.9	220,917	71.8
Taiwan	27,295	9.5	41,753	14.1	46,331	15.1
Hong Kong	17,413	6.1	49,440	16.7	29,383	9.5
Others	13,709	4.8	6,795	2.3	11,016	3.6
Total	**286,705**	**100.0**	**295,588**	**100.0**	**307,647**	**100.0**

Set out below is the breakdown of the Group's purchases by suppliers' location during the eight months ended 31 August 2016 and 2017:

	Eight months ended 31 August			
	2016		**2017**	
	HK$'000	*%*	*HK$'000*	*%*
The PRC	144,257	72.4	209,774	80.3
Taiwan	26,124	13.1	25,145	9.6
Hong Kong	21,895	11.0	15,320	5.9
Others	6,967	3.5	10,914	4.2
Total	**199,243**	**100.0**	**261,153**	**100.0**

Note: During the Track Record Period, other locations include Japan, Singapore, Samoa and BVI.

Denomination of purchases

Set out below is a breakdown of the Group's purchases by currency denomination during the three years ended 31 December 2016:

	Year ended 31 December					
	2014		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
US$	177,039	61.7	202,475	68.5	198,436	64.5
RMB	109,666	38.3	93,113	31.5	109,211	35.5
Total	**286,705**	**100.0**	**295,588**	**100.0**	**307,647**	**100.0**

Set out below is a breakdown of the Group's purchases by currency denomination during the eight months ended 31 August 2016 and 2017:

	Eight months ended 31 August			
	2016		2017	
	HK$'000	*%*	*HK$'000*	*%*
US$	134,036	67.3	130,381	49.9
RMB	65,207	32.7	130,772	50.1
Total	**199,243**	**100.0**	**261,153**	**100.0**

As mentioned in the paragraph "Customers — Denomination of sales" above in this section, the movements in the exchange rate between US$ and RMB have a direct effect on the Group's financial performance. Please refer to the section headed "Risk factors — Risks relating to the Group's business — The Group faces foreign exchange risks and translation risks" in this prospectus for the currency risk.

Payment terms and trade payables

For most of the Group's major suppliers and subcontractors, the Group is usually given a credit period of 30 to 120 days.

Generally, the Group makes payment by telegraphic transfer.

Top suppliers

For each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, the percentage of the Group's total purchases attributable to the Group's largest supplier amounted to approximately 7.7%, 6.2%, 4.7% and 9.5%, respectively, while the percentage of the Group's total purchases attributable to the Group's five largest suppliers combined amounted to approximately 27.9%, 24.2%, 18.5% and 28.6%, respectively. Total purchases comprise cost of materials purchased from suppliers, mould and tools, consumables and subcontracting fees.

Set out below is a breakdown of the Group's total purchases from the top five suppliers of the Group during the Track Record Period:

For the year ended 31 December 2014

	HK$'000	*As % of total purchases*
Supplier A (1st largest supplier)	22,103	7.7
Supplier B (2nd largest supplier)	15,887	5.5
Supplier C (3rd largest supplier)	15,515	5.4
Supplier D (4th largest supplier)	15,360	5.4
Supplier E (5th largest supplier)	11,109	3.9
Five largest suppliers combined	79,974	27.9
All other suppliers	206,731	72.1
Total purchases	286,705	100.0

For the year ended 31 December 2015

	HK$'000	*As % of total purchases*
Supplier A (1st largest supplier)	18,339	6.2
Supplier F (2nd largest supplier)	16,033	5.4
Supplier G (3rd largest supplier)	13,297	4.5
Supplier D (4th largest supplier)	12,848	4.3
Supplier H (5th largest supplier)	11,092	3.8
Five largest suppliers combined	71,609	24.2
All other suppliers	223,979	75.8
Total purchases	295,588	100.0

For the year ended 31 December 2016

	HK$'000	As % of total purchases
Supplier A (1st largest supplier)	14,501	4.7
Supplier I (2nd largest supplier)	11,622	3.8
Supplier J (3rd largest supplier)	10,990	3.6
Supplier K (4th largest supplier)	10,508	3.4
Supplier H (5th largest supplier)	9,343	3.0
Five largest suppliers combined	56,964	18.5
All other suppliers	250,683	81.5
Total purchases	307,647	100.0

For the eight months ended 31 August 2017

	HK$'000	As % of total purchases
Suzhou Jiatai (1st largest supplier)	24,986	9.5
Supplier L (2nd largest supplier)	15,924	6.1
Supplier I (3rd largest supplier)	13,022	5.0
Supplier M (4th largest supplier)	10,885	4.2
Supplier A (5th largest supplier)	9,907	3.8
Five largest suppliers combined	74,724	28.6
All other suppliers	186,429	71.4
Total purchases	261,153	100.0

The Directors confirm that the Group did not rely on any single supplier for raw materials during the Track Record Period. For each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, the Group's top five suppliers were companies selling raw materials and semi-finished products, as well as subcontractors providing anodising, injection moulding and spray painting services.

To the best knowledge of the Directors, none of the Directors, their associates, or any Shareholders who owned more than 5% of the share capital of the Company as at the Latest Practicable Date had any interest in any of the five largest suppliers of the Group during the Track Record Period.

Set out below is the background information of the five largest suppliers of the Group during the Track Record Period:

Supplier	Principal business	Type of supply	Approximate year(s) of business relationship as at the Latest Practicable Date	Typical credit terms offered to the Group and payment method
Supplier A	Import/export, and overseas trading of various products such as textile, machinery, metals, minerals, energy, chemicals, food, general products, realty, information and communications technology	Resin (materials)	6	60 days credit terms, paid by telegraphic transfer
Supplier B	Manufacture and sales of paint components and moulds	Plastic components (semi-finished products)	4	20 days credit terms, paid by telegraphic transfer
Supplier C	Manufacture and sales of resins, specialty film and sheet	Resin (materials)	6	30 to 45 days credit terms, paid by telegraphic transfer
Supplier D	Manufacture and sales of paint components and moulds	Ink (materials)	4	90 days credit terms, paid by telegraphic transfer
Supplier E	Production of plastic electronic products; design and manufacture of precision mould	Plastic components (semi-finished products)	4	90 days credit terms, paid by telegraphic transfer
Supplier F	Manufacture of plastic materials	Resin (materials)	6	30 days credit terms, paid by telegraphic transfer
Supplier G	Development, manufacture and sales of human interface products, such as touchpad	Touchpads (semi-finished products)	3	30 days credit terms, paid by telegraphic transfer

Supplier	Principal business	Type of supply	Approximate year(s) of business relationship as at the Latest Practicable Date	Typical credit terms offered to the Group and payment method
Supplier H	Manufacture and sales of moulds, electrical components and relevant accessories	Plastic components (semi-finished products)	4	90 days credit terms, paid by telegraphic transfer
Supplier I	Import/export, and trading of various products such as chemicals, resin, plastic products, electronic products, information and communications technology	Resin (materials)	2	30 days credit terms, paid by telegraphic transfer
Supplier J	Electronic parts trading/ international procurement/ development business	Touchpads (semi-finished products)	5	60 days credit terms, paid by telegraphic transfer
Supplier K	Import/export, and trading of various products such as chemicals, resin, plastic products, electronic products, information and communications technology	Resin (materials)	3	45 days credit terms, paid by telegraphic transfer
Supplier L	Production and sales of metal components, moulds and plastic components	Injection moulding and spray painting (subcontracting)	3	90 days credit terms, paid by telegraphic transfer
Supplier M	Plan and design of plastic product decoration and manufacturing and sales of related products	Thin film (materials)	3	Prepayment and 45 days credit terms, paid by telegraphic transfer
Suzhou Jiatai	Production and sales of electronic components	Anodising (subcontracting)	1	Prepayment and 90 days credit terms, paid by telegraphic transfer

Supplier A is a private company established in the PRC and its principal activities are import, export, and overseas trading of various products such as textile, machinery, metals, minerals, energy, chemicals, food, general products, realty, information and communications technology. The parent company of Supplier A is listed on the Tokyo Stock Exchange and its principal activities are in domestic trading, import/export, and overseas trading of various products such as textile, machinery, metals, minerals, energy, chemicals, food, general products, realty, information and communications technology, and finance, as well as business investment in Japan and overseas. According to the latest consolidated financial statement of Supplier A's parent company, it recorded a revenue of approximately US$43.1 billion and a net profit of approximately US$3.1 billion for the year ended 31 March 2017.

Supplier B is a private company established in the PRC and its principal activities are the manufacturing and sales of paint components and moulds.

Supplier C is a private company established in the PRC and its principal activities are the manufacturing and sales of resins, specialty film and sheet. The parent company of Supplier C is listed on the Saudi Stock Exchange and its principal activities are the manufacturing, marketing and distribution of chemical, agri-nutrient and metal products in global markets. According to the latest annual report of Supplier C's parent company, it recorded revenue of approximately SAR132.8 billion and a net profit of approximately SAR17.8 billion for the year ended 31 December 2016.

Supplier D is a private company established in the PRC and its principal activities are the manufacturing and sales of paint components and moulds.

Supplier E is a private company established in the PRC and its principal activities are the production of plastic electronic products and design and manufacture of precision mould.

Supplier F represents two affiliated private companies established in the PRC and Hong Kong, respectively, and its principal activities are the manufacture of plastic materials. The parent company of Supplier F is listed on the Frankfurt Stock Exchange and its principal activities are sales of high-tech polymer materials and manufacturing of chemical by-products. According to the latest annual report of Supplier F's parent company, it recorded revenue of approximately EUR14.1 billion and a net profit of approximately EUR2.0 billion for the year ended 31 December 2017.

Supplier G is a private company incorporated in Hong Kong and its principal activities are development, manufacture and sales of human interface products. The parent company of Supplier G is listed on the NASDAQ Stock Exchange and its principal activities are the supply of custom-designed human interface product solutions in mobile computing, communications, entertainment, and other electronic devices. According to the latest annual report of Supplier G's parent company, it recorded revenue of approximately USD1.7 billion and net profit of approximately USD48.8 million for the year ended 30 June 2017.

Supplier H is a private company established in the PRC and its principal activities are the manufacturing and sales of moulds, electrical components and relevant accessories.

Supplier I is a private company incorporated in the PRC and its principal activities are import/export, and trading of various products such as chemicals, resin, plastic products, electronic products, information and communications technology. The parent company of Supplier I is listed on the Tokyo Stock Exchange and its principal activities are provision of innovative solutions and services for information and electronics, chemicals, life industry, plastics, housing and eco materials business. According to the latest annual report of Supplier I's parent company, it recorded revenue of approximately JPY586.6 billion and a net profit of approximately JPY10.1 billion for the year ended 31 March 2017.

Supplier J is a private company incorporated in Taiwan and its principal activities are electronic parts trading, international procurement and development business. The parent company of Supplier J is listed on the Tokyo Stock Exchange and its principal activities are provision of electronic products, audio equipment and logistics and other business. According to the latest financial results of Supplier J's parent company, it recorded revenue of approximately JPY753.3 billion and a net profit of approximately JPY41.1 billion for the year ended 31 March 2017.

Supplier K is a private company established in the PRC and its principal activities are import, export and trading of various products such as chemicals, resin, plastic products, electronic products, information and communications technology.

Supplier L is a company established in the PRC and its principal activities of which are production and sales of metal components, moulds and plastic components.

Supplier M is a company established in the PRC and its principal activities of which are plan and design of plastic product decoration and manufacturing and sales of related products. The parent company of Supplier M is listed on the Tokyo Stock Exchange and its principal activities are manufacturing and sales of special printing machines, peripheral devices, and materials. According to the latest financial results of Supplier M's parent company, it recorded revenue of approximately JPY4.0 billion and a net loss of approximately JPY918.5 million for the year ended 31 March 2017.

Suzhou Jiatai is also one of the major customers and landlord of the Group during the Track Record Period, for details of the background of Suzhou Jiatai, please refer to the sections headed "Business — Customers — Top customers", "Business — Suppliers, materials and inventory — Entities who are both a supplier and customer of the Group" and "Business — Properties".

Basis of selection the Group's suppliers

The Group has implemented the following procedures in procurement:

- If customers do not specify any requirements as to raw materials and semi-finished products in their purchase orders, the Group would source raw materials and semi-finished products from its approved suppliers, which are selected based on price, quality and ability to accommodate the Group's production cycles. Prior to being approved, the quality assurance team conducts inspections of a potential supplier's products and on-site inspections of the supplier's production process.

- Some customers would specify a designated supplier in their purchase orders or provide a list of preferred suppliers for the Group to source and procure certain raw materials and semi-finished products, such as certain mesh, touchpads and other accessories that are compatible with the customers' production process. In such cases, the prices of such raw materials may have been pre-agreed between the customers and the suppliers.

During the Track Record Period and up to the Latest Practicable Date, the Group did not experience any material shortage and delay of raw materials or semi-finished products, nor did the Group incur any material loss or receive any customer claim as a result of delay in production due to the shortage in the supply of raw materials and semi-finished products. The Directors do not anticipate any material difficulty in the sourcing of raw materials and semi-finished products. The Directors believed that the Group has maintained stable business relationship with the suppliers for principal raw materials.

Entities who are both a supplier and customer of the Group

During the Track Record Period, to the best knowledge and belief of the Directors, one of the group companies of Quanta Computer Inc., was both the Group's supplier and customer. For each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, the Group's sales to such customer accounted for approximately 1.3%, 0.004%, nil and nil, respectively, of its total revenue. During the same periods, the Group's purchases from such customer accounted for approximately 0.3%, 0.3% and nil and nil of its total purchase of materials, respectively. Gross profit for the sale of notebook casings to such customer for each of the three years ended 31 December 2016 and the eight months ended 31 August 2017 was approximately HK$923,000, HK$4,000, HK$194 and nil, respectively, and the gross profit margin was approximately 21.1%, 20.0%, 14.6% and nil, respectively.

During the Track Record Period, Suzhou Jiatai was also the Group's customer and subcontractor. For each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, the Group's sales to Suzhou Jiatai accounted for nil, nil, approximately 4.0% and 0.6% of the Group's total revenue. During the same periods, subcontracting fees charged to the Group by Suzhou Jiatai accounted for nil, nil, approximately 1.0% and 9.5% of its total purchase of materials, respectively. Gross profit for the sale of notebook casing products to Suzhou Jiatai for each of the three years ended 31 December 2016 and the eight months ended 31 August 2017 was nil, nil, approximately HK$5,388,000 and HK$419,000, respectively, and the gross profit margin was nil, nil and approximately 28.8% and 19.0%, respectively.

Furthermore, during the Track Record Period, Supplier D was also the Group's customer. For each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, the Group's purchase from Supplier D accounted for approximately 5.4%, 4.4%, 0.3% and nil of its total purchase of materials, respectively. During the same periods, the Group's sales to Supplier D accounted for approximately 0.1%, nil, nil and nil, respectively, of total revenue. Gross profit for the sale of plastic parts to Supplier D for the year ended 31 December 2014 was approximately HK$86,000 and the gross profit margin was approximately 25.8%.

To the best knowledge and belief of the Directors, these entities and their ultimate beneficial owners are Independent Third Parties. One of the group companies of Quanta Computer Inc. as mentioned above manufactures and sells notebook and other electronic consumer products. The Group mainly sells its plastic accessories and components for the customer's production of notebook and the Group mainly purchases semi-finished products for its production of notebook and tablet casings. Suzhou Jiatai produces and sells electronic components while the Group sold its metal parts for the customer's production of electronic components and the Group mainly employs Suzhou Jiatai's anodising services for its production of notebook casings. Supplier D manufactures and sells paint components and moulds. The Group mainly purchases the supplier's semi-finished products including accessories and components for its production of notebook and tablet casings and the Group mainly sells its plastic parts for the supplier's production of components.

Negotiation of the terms of the Group's purchases from and sales to these entities were conducted on individual basis and the purchases and sales were neither inter-connected nor inter-conditional with each other. The Directors confirmed that, during the Track Record Period, the products that the Group purchased from these entities were not sold to them. The terms of transactions with these entities were in line with the market norm and were similar to those transactions entered into between the Group and its other customers and suppliers.

Subcontracting

Nature of and reason for subcontracting

The Group manufactured its products at its production facilities in the Changshu Factory during the Track Record Period. While the Changshu Factory is capable of undertaking all of the core manufacturing procedures such as injection moulding, metal stamping, decoration and assembling, the Group does not possess the necessary equipment to perform certain procedures, such as anodising and sputtering deposition. Accordingly, the Group would subcontract these procedures to external specialised subcontractors. Moreover, the Group also managed its production capacity by outsourcing certain part of its production to third party subcontractors in view of the available internal resources from time to time with an aim to attain an optimised level of production.

During the Track Record Period, the Group subcontracted certain injection moulding production procedures to third party subcontractors when the Group did not have the sufficient internal resources to complete all the production orders from customers. For each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, the Group subcontracted the injection moulding production procedures of approximately 5.1 million units, 1.8 million units, 1.9 million units and 1.5 million units of key components of the Group's products, representing approximately 43.5%, 12.3%, 10.0% and 11.8% of the Group's total production capacity for key components of the Group's products of the relevant year/period.

The following table sets out the amount of subcontracting fees, which were typically determined based on the quotation from subcontractors and arm's length negotiation between the Group and the subcontractors, incurred by the Group during the Track Record Period:

	For the year ended 31 December			**Eight months ended 31 August**	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Subcontracting fee	13,617	14,540	29,327	15,623	54,428

Basis of selection of subcontractors

The Group carefully evaluates the subcontractors taking into account of their technical capability, track records, services, prices, production capacities, ability to complete the manufacturing procedures in a timely manner and product quality. Based on these factors, the Group selects and maintains a list of approved subcontractors, which is updated on a continuous basis. Before placing the process orders, the Group will generally obtain a number of quotations from the list of approved subcontractors and select the most suitable one based on fee quotes and track records. In addition to subcontracting fees, the Group also negotiates on other terms of subcontracting service including terms of payment, method and time of delivery with the subcontractors. The Group performs quality inspection on the products provided by the subcontractors to ensure that they meet the required quality standard. The Directors believe that, the subcontractors engaged by the Group are qualified suppliers under the supplier list maintained by the OEMs such that the quality of their services could be assured.

Relationship with and background of subcontractors

The Group has established a stable working relationship with its subcontractors. During the Track Record Period, the Group has engaged not less than 5 third-party subcontractors. The Group has maintained approximately 1 to 4 year(s) of business relationship with the five largest subcontractors as at the Latest Practicable Date. The subcontractors are typically factories located in the vicinity of the Changshu Factory.

None of the Directors, their associates, or any Shareholders who owned more than 5% of the share capital of the Company as at the Latest Practicable Date had any interest in any of the subcontractors of the Group during the Track Record Period.

Salient terms of a typical subcontracting transaction

In a typical subcontracting transaction, the Group will issue a process order to the subcontractor. In a typical process order, the following salient terms are contained:

(i) Processing description: A brief description of the processing procedure is contained, for example, plastic injection moulding, anodising and sputtering deposition, etc.

(ii) Order details: The quantity is specified, i.e., the number of pieces for each product and/or material to be processed. The unit price and the total amount are also specified.

(iii) Payment terms: The Group's subcontractors usually require partial prepayment, or grant credit periods of 90 to 120 days to the Group. Payment will usually be made by telegraphic transfer.

(iv) Delivery details: For the processed products, the Group usually requires its subcontractors to deliver the goods at the cost of the subcontractors to the Changshu Factory.

Inventory control

The Group's inventories include raw materials, work in progress and finished goods:

	As at 31 December			As at 31 August
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	52,566	47,403	28,608	39,363
Work in progress	49,636	64,921	71,342	106,501
Finished goods	71,081	123,105	169,762	165,319
Total	**173,283**	**235,429**	**269,712**	**311,183**

The Group's production materials and inventories are stored in the warehouses of Tongda Suzhou. The Group assigns staff for inventory management and performance of regular cycle counts on the inventory to ensure that the records are up-to-date and accurately reflect the Group's inventory levels and movements of the inventory.

The Group endeavours to carefully monitor its inventory level to cater for the fluctuation in the Group's sales volume. The Group also endeavours to closely observe the overall business environment in which the Group is engaged in and will increase the inventory level as the circumstances may require so as to reduce the impact from any possible interruption during the Track Record Period. Certain customers would provide production schedule for periods of 30 to 90 days and the Group targets to keep raw material inventory at levels that are sufficient for the production requirements within such periods.

For the three years ended 31 December 2016 and the eight months ended 31 August 2017, the Group's inventory turnover days were 127.7 days, 176.5 days, 199.3 days and 198.3 days, respectively. For a detailed inventory analysis, please refer to the section headed "Financial information — Inventory analysis" in this prospectus.

During each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, the provision for obsolete or slow-moving inventories amounted to approximately nil, HK$1.9 million and write-back of provision of approximately HK$0.4 million, respectively. The provision for obsolete or slow-moving inventories amounted to approximately HK$2.2 million for the eight months ended 31 August 2017. The Group reviews the inventories at each reporting date and makes allowance for impairment of obsolete, slow-moving and impaired items. The Group estimates the net realisable value for such inventories based primarily on the expected future market conditions and the estimated selling price. The Group makes allowance for impairment if the net realisable value is below the carrying amount.

Sensitivity analysis

Costs of materials

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's costs of materials on the Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 5% and 10%, which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in cost of materials	5%	10%	-5%	-10%
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in profit before tax				
Year ended 31 December 2014	(8,614)	(17,227)	8,614	17,227
Year ended 31 December 2015	(9,828)	(19,657)	9,828	19,657
Year ended 31 December 2016	(10,153)	(20,306)	10,153	20,306
Eight months ended 31 August 2017	(6,838)	(13,675)	6,838	13,675
Change in profit after tax				
Year ended 31 December 2014	(6,460)	(12,920)	6,460	12,920
Year ended 31 December 2015	(7,371)	(14,743)	7,371	14,743
Year ended 31 December 2016	(8,630)	(17,260)	8,630	17,260
Eight months ended 31 August 2017	(5,812)	(11,624)	5,812	11,624

Labour cost

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's direct labour cost on the Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 5% and 25%, which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in direct labour cost	5%	25%	-5%	-25%
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in profit before tax				
Year ended 31 December 2014	(2,604)	(13,021)	2,604	13,021
Year ended 31 December 2015	(3,198)	(15,990)	3,198	15,990
Year ended 31 December 2016	(2,721)	(13,607)	2,721	13,607
Eight months ended 31 August 2017	(1,708)	(8,541)	1,708	8,541
Change in profit after tax				
Year ended 31 December 2014	(1,953)	(9,766)	1,953	9,766
Year ended 31 December 2015	(2,399)	(11,993)	2,399	11,993
Year ended 31 December 2016	(2,313)	(11,566)	2,313	11,566
Eight months ended 31 August 2017	(1,452)	(7,260)	1,452	7,260

Average product selling price

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group's average product selling price on the Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 5% and 20%, which correspond to the approximate minimum and maximum year-on-year fluctuations in the average product selling price of the Group during the Track Record Period and are therefore considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in average product selling price	5%	20%	–5%	–20%
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Change in profit before tax				
Year ended 31 December 2014	18,815	75,259	(18,815)	(75,259)
Year ended 31 December 2015	21,133	84,533	(21,133)	(84,533)
Year ended 31 December 2016	23,197	92,787	(23,197)	(92,787)
Eight months ended 31 August 2017	17,576	70,303	(17,576)	(70,303)
Change in profit after tax				
Year ended 31 December 2014	14,111	56,444	(14,111)	(56,444)
Year ended 31 December 2015	15,850	63,400	(15,850)	(63,400)
Year ended 31 December 2016	19,717	78,869	(19,717)	(78,869)
Eight months ended 31 August 2017	14,939	59,758	(14,939)	(59,758)

Fluctuations in prices of materials and labour

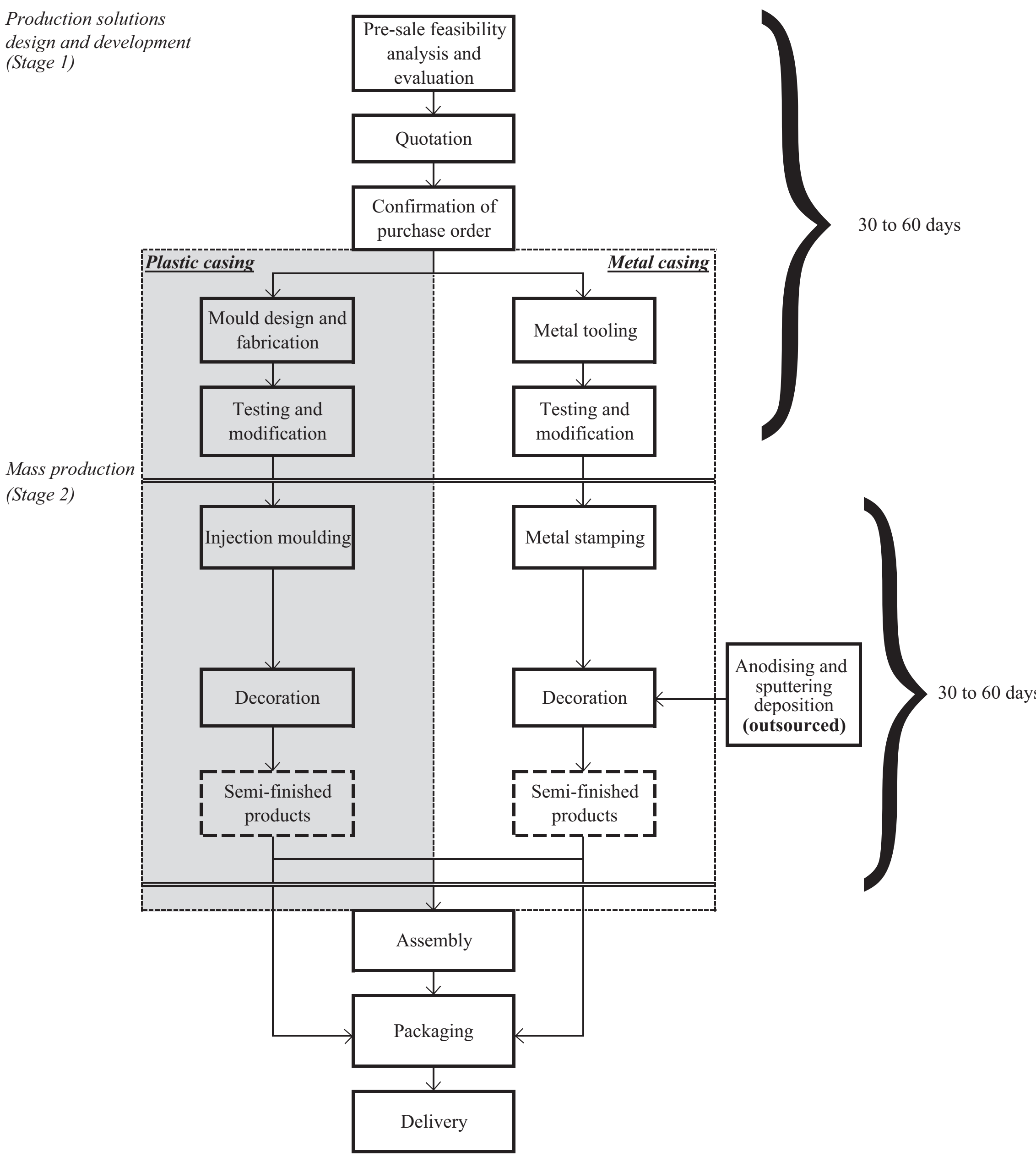
Prices of materials required by the Group such as PC, PC/ABS and aluminum, remain relatively stable during the Track Record Period. The increase in cost of materials in the past few years were mainly due to the increase in consumption of various accessories and components. In addition, the rising labour costs in the past few years have also contributed to the increase in the Group's costs of sales. For details, please refer to the section headed "Industry overview" in this prospectus.

In view of the potential increases in material prices and other costs of production, the Group strives to constantly explore and evaluate different types of materials and production methods that are cost-effective while meeting customers' requirement, as well as different suppliers that are able to offer reasonable pricing while meeting all requirements of the Group. It is also the Group's usual practice to attempt to, if possible, to purchase production materials at competitive prices and hence maintain a better cost control on its operations.

Despite the increase in cost of sales mainly attributable to (i) the increase in cost of materials resulted from stringent quality requirement for materials used in the production as requested by customers; and (ii) the gradual rise in labour costs, the Group demonstrated its ability to pass on the increase in costs to its customers by maintaining a stable gross profit margins of 22.1%, 21.0%, 22.3% and 19.4% for the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively. The Group considers that its primary competitive advantage relates to its comprehensive "one-stop" production solutions and strong research and development capabilities. For details, please refer to the section headed "Business — Competitive strengths" in this prospectus. With the Group's comprehensive "one-stop" production solutions and strong research and development capabilities, the Group believes that it has the ability to pass the majority of the increases in costs to its customers by charging a higher price under a cost-plus pricing policy.

PRODUCTION PROCESS

Set out below is the flow chart summarising the key workflow of a typical production process of the Group:



Stage 1: Production solutions design and development (30 days to 60 days)

Pre-sale feasibility analysis and evaluation

During the Track Record Period, the Group has frequent communication with its customers to keep abreast of the market trend and their product development plans. Basically, new projects are initiated by different brand owners of notebook and tablet which directly engage OEM product manufacturers in the overall production. The OEMs would then approach the Group and request for quotation for the production of notebook and tablet casings. Provided with the product design blueprint and specification, the technical and engineering department of the Group would analyse the physical properties, functional and aesthetic requirement of the design, the estimated cost of production and current production capacity of the Group to evaluate the feasibility of order acceptance.

Quotation and confirmation of purchase order

Once the project is considered feasible, the Group will formulate a project plan, including budget, timetable, and resources allocation arrangements, and revert to customers with quotation. If the customer accepts the quote, a small purchase order for testing followed by mass production orders would normally be placed by the customer. The Group would proceed to mould fabrication for plastic casings, and metal tooling for metal casings and source the specified raw materials in accordance with the bill of materials provided by the customer.

Mould design and fabrication and metal tooling

With reference to the three dimensional design blueprint provided by the customer, technicians would work on the mould with the assistance of CNC machines. A mould is generally fabricated in subparts, which are cut, machined, milled, and/or refined individually, before being assembled. EDM is used in cutting cavities in metal tooling.

Testing and modification

Upon completion of the mould and tool, they would be sent to production line for testing. Raw materials sourced from suppliers designated in the bill of materials provided by the customer would be inputted in the production of trial samples. These trial products would be presented to customers for feedback and adjustment. Based on feedback from testing and trial samples, further modifications and testing on the moulds and tools may be required until customers and the Group are satisfied with the result.

Stage 2: Mass Production (30 days to 60 days)

Injection moulding and metal stamping

Satisfied with the quality of the products delivered in small order, customers would normally place mass production orders to the Group. In a typical project, customer would indicate its production schedule to the Group on regular basis. It is expected that recurring purchase orders on the same products would be received from the customer in the stage of mass production. For plastic casings and components, moulds are installed in automatic plastic injection moulding machines which heat up and reshape plastic materials into the desired form. Tools are installed in the stamping machines which press and reproduce cavities on metal plates.

Decoration

Decoration procedures vary from projects to projects in accordance with the aesthetic requirement of different products. Decorative techniques applied by the Group could be broadly classified into five types namely IML, LMF, IMR, spray painting and double-shot injection.

The IML technique allows the patterns and logos to be embedded in the middle layer of the casing. IML is performed by placing a film printed with the pattern or logo into the plastic injection moulding machine, thereby enabling the pattern or logo to be imprinted simultaneously in the injection moulding process. Since the printing ink is in the middle, it can prevent the pattern from being scratched away from the surface. The sharpness of the surface of the casing is preserved and colors are more durable. The LMF technique is tailored for the decoration of metal casings, allowing the IML technique to be applied to metal plates.

The IMR technique allows the patterns and logos to be transferred to the surface of the casing simultaneously at the time of injection moulding. It is considered to be an efficient decoration technique where production and decoration processes could be performed concurrently in high degree of automation. Compared with IML and LMF techniques, patterns printed by IMR technique are less durable since the colour ink is on the surface of the casing.

Spray painting is considered to be a conventional decoration technique to cover the surface of the products with a layer of ink. Products are painted on semi-automatic spray lines.

Double-shot injection is considered to be an innovative manufacturing process used to produce casings from two different materials. The automated injection machines control the injection of two different kinds of resin into the same mould so that the casings can be produced in a combination of two colours and/or two different types of materials.

Anodising is a process applied to metal casings and components to increase resistance to corrosion and add colour to the metallic surface. During the Track Record Period, the Group did not possess any equipment to perform the anodising process. The outsourced amount were HK$0.2 million, HK$0.3 million, HK$3.0 million and HK$25.0 million, representing approximately 0.1%, 0.1%, 0.8% and 8.8% of the total production cost for the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively.

Sputtering deposition is applied to plastic casings and/or components which are non-conductive of electricity. It is a process to cover the surface of non-conductive material with a layer of metal coating so that the electricity could be transmitted on the surface. This technique is applied to the inner surface of the plastic casings where electronic components are assembled and wires are connected. During the Track Record Period, the Group did not possess any equipment to perform the sputtering deposition process. The outsourced amounts were approximately HK$3.6 million, HK$6.3 million, HK$12.3 million and HK$7.8 million, respectively, representing approximately 1.2%, 1.9%, 3.4% and 2.7% of the total production cost for the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively.

Assembly

Semi-finished products including casings and other components are transferred to assembly lines for final assembly and checking. Parts and accessories will be assembled into final products in accordance with the customer's specifications.

Packaging

All finished products will be packed carefully to ensure that the packaging is arranged orderly with neat appearance and that the packaging contains correct information as to the model, size, and colour of the products and the delivery information.

Delivery

After packaging, the Group will arrange for the delivery of the finished products to the designated forwarders of its customers or to the customers directly. For further information on the typical delivery details, please refer to the section headed "Business — Customers — Salient terms of a typical sales transaction — Delivery details" in this prospectus.

The actual production time required depends on a number of factors, such as the complexity of the product design and the manufacturing process, the quantity of an order, the availability of raw materials, and the production and/or delivery time required by the Group's suppliers. As such, the actual production time may differ considerably for different orders, ranging in general from about 45 to 90 days.

Quality control

The Directors believe that the Group's track record in delivering high quality products is one of its competitive advantages. The Directors understand that any defects in the Group's products could result in significant delays or even disruptions in the customers' production processes. Therefore, the Group has implemented quality control policies and procedures designed to consistently produce products with high quality. The Group conducts quality control testing at various stages throughout the Group's production process.

The quality control procedures include:

- *Raw materials and semi-finished products procurement.* All raw materials and semi-finished products sourced from suppliers are examined before they are consumed for a project. Certain materials such as resin, ink, accessories and components, are inspected by specified quality testing equipment upon receipt at the Group's warehouses. In addition, the quality of the Group's materials is safeguarded by the pre-procurement evaluation of the suppliers. Please refer to the section headed "Business — Suppliers and subcontractors" in this prospectus.

- *Pre-production.* The Group's quality control team strives to ensure that the customers' quality requirements are clearly defined, documented and reflected during the production solutions design and development stage. For moulds, the final product design blueprint must be approved by the customers before fabrication commences. For casings and components, a small batch of sample products is produced in most cases, tested, and made available for approval by the customer before mass production commences.

- *During the production cycle.* The Group's quality control team carries out frequent periodic inspections on a random sampling basis throughout the mass production process to check that the products comply with customer requirements and specifications. The Group's inspection metrics include consistency, appearance, size and compatibility with other casings and components.

- *End of the production cycle.* In addition to the stringent quality control protocols implemented by the Group throughout the various stages of the production process, the Group performs quality checks on the products before they are stored in the warehouse and further inspects before they are delivered to customers.

In order to enhance the competitiveness of the Group's products, the Group places stringent quality control on the production process and selection of the production materials. The Group has purchased testing equipment, established testing facilities, formulated strict testing procedures and employed quality control personnel to implement the quality control procedures.

As at 31 December 2014, 2015 and 2016, 31 August 2017 and the Latest Practicable Date, the Group's quality control department comprised a total of 85, 77, 75, 82 and 77 employees.

During the Track Record Period, the Group has received a number of certificates in recognition of the quality control efforts:

Accreditation and certificates	Time of awarding (validity period)	Awarding entity	Entity
ISO9001:2008 (Quality management system – manufacture and service of plastic parts and metal stampings for electronics)	13 August 2010 (until 13 August 2016)	United Kingdom Accreditation Service	Tongda Suzhou
ISO14001:2004 (Environmental management system – production of injection moulded parts of electronic products and metal stamping parts)	19 April 2011 (until 18 April 2014)	Quality Austria	Tongda Suzhou
ISO14001:2015 (Environmental management systems – production of injection moulded parts of electronic products and metal stamping parts)	13 May 2014 (until 10 May 2020)	China National Accreditation Service for Conformity Assessment	Tongda Suzhou
ISO9001:2008 (Quality management system – manufacture and sale of injection moulding parts for electronic products, metal stamping parts)	10 March 2016 (until 14 September 2018)	United Kingdom Accreditation Service	Tongda Suzhou

The ISO certification listed above are crucial to the reputation of the Group. During the Track Record Period, the Group renewed each of its ISO9001 and ISO14001 certifications and did not fail to renew any of the certifications. The Directors consider that the Group will not encounter any major obstacles to renew the certifications listed above in the future.

Production equipment, facilities, capacity and utilisation

Production facilities

The main production facilities of the Group are located in the Changshu Factory leased by the Group. The Changshu Factory consists of a total gross floor area of approximately 23,000 sq.m. For further details of the Group's production bases, please refer to the section headed "Business — Properties" below in this prospectus.

Production equipment

The Group invests in production equipment purchased from Chinese and Japanese manufacturers and the Directors believe that the equipment purchased from these manufacturers has resulted in better quality products, higher efficiency and lower defect rates.

Major assets and equipment owned by the Group during the Track Record Period are as follows:

Type of production equipment/facility	Quantity as at 31 December			Quantity as at 31 August	Principal use
	2014	2015	2016	2017	
CNC	9	10	11	11	Mould fabrication
Injection moulding machines	48	66	66	70	Mass production of plastic casings and/or components
Stamping machines	73	73	78	78	Mass production of metal casings and/or components
Assembly lines	18	19	15	15	Assemble parts and accessories into final products

Based on the Group's experience, the expected useful lives of the production equipment are approximately 10 to 12 years. As at 31 August 2017, the current average age of the Group's production equipment was approximately 4.0 years.

The Group conducts regular maintenance on its production machinery and equipment. Such regular maintenance works are mainly performed on an on-going basis by each of the Group's production staff responsible for operating their respective set of production machineries and equipment, as most of such maintenance works involve simple procedures such as injecting lubricants when they run out and cleaning the key component of the equipment to ensure smooth production operation. The Group had not experienced any material disruption in its production due to machinery and equipment breakdown during the Track Record Period and up to the Latest Practicable Date.

Production capacity and utilisation rate

The Group plans for its production based on the actual number and size of orders from customers. The Group also reviews its production plan regularly in order to ensure that there is sufficient production capacity to handle customers' orders and that finished products can be delivered in a timely manner. After taking into consideration, among other things, the capacity utilisation rate of the Changshu Factory and the economic efficiency and opportunity cost of carrying out production of a particular order at the Changshu Factory, the Group may also outsource parts of the manufacturing process to third-party subcontractors. For details of such outsourcing arrangement, please refer to the section headed "Business — Subcontracting — Suppliers, materials and inventory" in this prospectus.

The Group's key components for estimation of production capacity of (i) notebook casing comprise notebook's cover, screen frame, keyboard frame and bottom cover; and (ii) tablet casing comprise front cover and back cover. Apart from the key components as mentioned above, the Group also took into account the small components of notebook and tablet casings which mainly comprise buttons, hinges and miscellaneous small covers when calculating its sales volume and thus the sales volume was significantly higher than the actual production volume of key components during the Track Record Period. When calculating its production capacity and utilisation rate, the Group did not take into account small components of notebook and tablet casings having considered the fact that (i) the maximum production capacity of small components varies widely depending on various factors, such as amongst others, project scale and customers' requirements; and (ii) the impracticability to record actual production volume of small components as they may be either delivered separately or attached to key components.

Set out below is the estimated maximum capacity and actual production volume of the Group's key components of notebook and tablet casings and the utilisation rate of the production facilities of the Group during the Track Record Period:

	Year ended 31 December			**Eight months ended 31 August**
	2014	**2015**	**2016**	**2017**
Estimated maximum capacity *('000 units) (note 1)*	11,726	14,638	19,000	12,462
Approximate actual production volume for the year/period *('000 units) (note 2)*	9,968	9,857	14,305	10,994
Approximate utilisation rate for the year/period *(note 3)*	85.0%	67.3%	75.3%	88.2%

Notes:

1. The estimated maximum capacity represents the estimated number of units of key components of notebook and tablet casings produced by the Group's key production facilities, mainly include certain types of plastic injection moulding machines. The maximum capacity is estimated based on the assumption that the Group's key production facilities operate for 286 and 193 days for the three years ended 31 December 2016 and the eight months ended 31 August 2017 respectively and 20 hours per day taking into account public holidays and rest time of the Group's employees.

2. The actual production volume represents the number of key components of notebook and tablet casings produced during the Track Record Period.

3. The utilisation rate is calculated as the approximate actual production volume for the year/period divided by the estimated maximum capacity.

The utilisation rate of the Group's production facilities is affected by a number of factors such as the number of purchase orders received from its customers, the availability of materials and the Group's production schedule. The utilisation rate of the Group was approximately 85.0%, 67.3%, 75.3% and 88.2% for the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively. The utilisation rate decreased from approximately 85.0% for the year ended 31 December 2014 to approximately 67.3% for the year ended 31 December 2015, which is primarily due to the installation of additional plastic injection moulding machines that increase the average production capacity throughout the year. The Group's utilisation rate increased to approximately 75.3% for the year ended 31 December 2016 and approximately 88.2% for the eight months ended 31 August 2017 as the production volume increased during the year/period.

INTELLECTUAL PROPERTY

As the design of moulds or products is generally the proprietary property of the Group's customers, the Group does not typically register patents for the moulds that it designs or products that it manufactures. However, the Group's research and development efforts have yielded advanced mould and plastic components structures as well as innovative production processes and techniques. Therefore, the Group has applied for and successfully registered patents in the PRC to protect these intellectual properties. As at the Latest Practicable Date, the Group owned 23 patents, of which 3 were invention patents and 20 were utility models, and also applied for 10 additional patents in the PRC. For the full list of such patents, please refer to the section headed "B. Further information about the business — 2. Intellectual property rights of the Group" set out in Appendix IV to this prospectus.

Among the patents owned by the Group, the following are the Group's invention patents for its technical solutions for the Group's products:

Patent	**Validity of the patent**
Film laminating process for notebook computer metal shell (筆記本金屬外殼覆膜工藝)	Till December 2033
Method for spraying paint on surfaces of notebook computer shell (筆電類殼體的表面噴漆方法)	Till December 2033
Notebook shell and moulding process thereof (一種筆記本殼體的成型工藝)	Till October 2032

The Directors confirm that the Group had not experienced any infringement to its intellectual property during the Track Record Period which had a material adverse effect on the Group's business, results of operations, financial condition and prospects. During the Track Record Period, the Directors confirmed that the Group had not received any infringement claims nor had the Group filed any infringement claims against any third parties. Please refer to the section headed "Risk factors — Risks relating to the Group's business — If the Group fails to effectively protect its intellectual property rights, the business of the Group could be adversely affected" in this prospectus for the possible risk in relation to infringement.

The Group has devised and supervised the implementation of stringent measures to ensure the proper usage of its customers' intellectual property rights and confidential information. For instance, the employees and suppliers have signed confidentiality agreements with the Group, which requires that no confidential information, including but not limited to all information from the Group's customers, designs and manufacturing information, may be divulged to any third parties without the Group's written consent.

INSURANCE

The Group maintains (i) a property insurance policy with coverage against, among other matters, accidental loss of or damage arising from fire, earthquake and other natural calamities in respect of the production equipment and inventories at the Changshu Factory; (ii) motor vehicles insurance policies for the self-owned motor vehicles of the Group; and (iii) an employee insurance policy for employees' compensations with coverage against, among other matters, death, disability and medical expenses. The Directors believe that the Group is adequately insured against unforeseen accidental losses in line with industry practice. The Group has not made any material claims under the insurance policies and has not experienced any material business interruptions since commencement of operations.

Nevertheless, the Group may be exposed to other claims or liabilities not covered by its insurance, and the relevant risk is set forth in the section headed "Risk factors — Risks relating to the Group's business — The Group's insurance policies do not cover all operating risks".

The Group does not maintain product liability insurance because it is not required by PRC law and the Directors believe it to be consistent with industry practice.

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

HEALTH AND WORK SAFETY

The Group has established procedures to provide its workers with a safe and healthy working environment by providing work safety rules in the staff manual for the production staff to follow. In addition, the Group provides its employees with occupational safety education and training to enhance their awareness of safety issues. The Group has also met the requirements of EICC since September 2015 to ensure that it could continuously satisfy the legal requirements and customers' needs in respect of protection of employees' rights and occupational health and safety.

In order to protect the rights of workers to receive medical cure and monetary compensation after suffering from work injuries or occupational diseases, the Group has procedures in place to handle work-related accidents and occupational diseases at its production facilities. If a worker is injured as a result of work-related accidents or is diagnosed as suffering from occupational diseases, the Group will apply, on behalf of the injured or sick worker, for compensation from local social security authorities in accordance with the Group's procedures. The Group will assist the relevant social security authorities to verify the details of the accident and assess the condition of the worker. Compensation will be paid from occupational injury insurance fund managed by the social security authorities and the Group may also provide allowances to the injured or sick worker in accordance with the Group's policies. If the worker recovers from the injury or disease eventually, the Group will also arrange a suitable position within the Group for the worker after considering the worker's preference and actual condition.

During the Track Record Period and up to the Latest Practicable Date, there was no material breach of work safety rules by the Group's production staff, and the Group did not experience any significant incidents or accidents in relation to workers' safety or any material non-compliance with the applicable laws and regulations relevant to the work safety and health issues.

ENVIRONMENTAL PROTECTION

The operation of Changshu Factory is subject to environmental-related requirements in the PRC. For instance, enterprises shall adopt effective measures to prevent and control any pollutions and harms caused to the environment pursuant to the applicable laws and regulations, including but not limited to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》). For further details in relation to the environmental protection requirements in relation to the Group's operation of the Changshu Factory, please refer to the section headed "Regulatory framework — Laws and regulations in the PRC — Environmental protection".

The Directors review the environmental protection laws and regulations on a regular basis to ensure due compliance with the applicable laws and regulations. The Group's cost of compliance with the applicable environmental protection laws and regulations in each of the three years ended 31 December 2016 and the eight months ended 31 August 2017 was approximately HK$79,000, HK$161,000, HK$134,000 and HK$128,000, respectively. The Group has taken necessary measures to protect the environment and Tongda Suzhou, the principal operating subsidiary of the Group, and has been awarded the ISO14001:2004 (Environmental management systems) certification certificates from the Quality Austria Training, Certification and Evaluation Ltd. in April 2011 and the China National Accreditation Service for Conformity Assessment in May 2014, respectively. The Group has also met EICC requirements since September 2015 which ensure that it could continuously satisfy the legal requirements and customers' needs in respect of business ethics and environmental protection.

During the Track Record Period, the Group has inadvertently breached the Regulations on the Administration of Environmental Protection for Construction Projects (《建設項目環境保護管理條例》) and such non-compliance incident has been rectified by the Group on 17 May 2016. For details of the non-compliance of the Group, please refer to the section headed "Business — Non-compliance" in this prospectus.

HEDGING

During the Track Record Period, the Group did not engage in any hedging activity.

INTERNAL CONTROL

The Group has appointed, an independent internal control adviser, Baker Tilly, to perform a detailed assessment of the Group's internal control system including the areas of financial, operation, compliance and risk management with an aim to, among other matters, improve the Group's corporate governance. Baker Tilly provides internal control review services, and has been previously involved in internal control review projects for a number of companies listed on the Stock Exchange and companies preparing for listing in Hong Kong. The engagement team of the independent internal control adviser includes members of the HKICPA, the Association of Chartered Certified Accountants, the Chartered Institute of Management Accountants and the Institute of Internal Auditors.

Baker Tilly began the review of the design and operating effectiveness of the Group's internal control system in November 2015.

During the process of its evaluation of the adequacy and effectiveness of the Group's internal control system, Baker Tilly did not notice any material internal control weaknesses or deficiencies other than those disclosed in the section headed "Business — Non-compliance" in this prospectus.

With respect to the non-compliance incident in relation to the breach of the Regulations on the Administration of Environmental Protection for Construction Projects for not obtaining the requisite environmental protection design approval and completion acceptance approval prior to the commencement of the Group's operations, Baker Tilly has reviewed and provided recommendations relating to the Group's internal designs with respect to work procedures for preventing the recurrence of the abovementioned non-compliance incident. Key measures adopted and to be adopted by the Group, having taken into account the recommendations of Baker Tilly, are disclosed in the section headed "Business — Non-compliance" in this prospectus.

According to the result of the follow up review by Baker Tilly, the Directors confirmed that the Group did not have significant deficiencies in its internal control design, including that for ensuring compliance with the applicable safety regulations and preventing the recurrence of the Group's non-compliance incident, as at the Latest Practicable Date.

View of the Directors and the Sponsor

After (i) reviewing the follow up report performed by Baker Tilly; and (ii) discussing with Baker Tilly over the abovementioned non-compliance incident, the Directors are of the view and the Sponsor concurs that after taking effect various internal control measures, the Group could prevent the recurrence of the abovementioned non-compliance.

EMPLOYEES

As at 31 December 2014, 2015 and 2016, 31 August 2017 and the Latest Practicable Date, the Group had a total of 825, 766, 808, 968 and 802 permanent full-time employees and had 120, 265, 24, 40 and 6 dispatched workers dispatched to the Group from independent human resources companies. As of February 2016, the number of dispatched workers has been reduced to no more than 10% of the total number of the staffs. There had been no complaints or claims from employees that materially and adversely affected the Group's operations during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, the Group has employed from time to time approximately three independent human resources companies in the PRC to dispatch manufacturing workers to the Group for the Changshu Factory. The Directors consider that engaging human resources companies is a common practice in the PRC and is a more efficient and cost-effective approach of identifying and recruiting qualified workers. For further details, please refer to the section headed "Business — Employees — Summary of labour dispatch agreements" in this prospectus.

Set out below is the number of full-time employees of the Group by function and geographical location as at 31 December 2014, 2015 and 2016, 31 August 2017 and as at the Latest Practicable Date:

	As at 31 December 2014		
	The PRC	**Hong Kong**	**Total**
Production	568	–	568
Quality control	85	–	85
Engineering	25	–	25
Mould fabrication	41	–	41
Sales and marketing	9	–	9
Procurement	17	–	17
Accounting and finance	14	–	14
Administration	66	–	66
Total	825	–	825

	As at 31 December 2015		
	The PRC	**Hong Kong**	**Total**
Production	505	–	505
Quality control	77	–	77
Engineering	26	–	26
Mould fabrication	51	–	51
Sales and marketing	11	–	11
Procurement	16	–	16
Accounting and finance	19	–	19
Administration	61	–	61
Total	766	–	766

	As at 31 December 2016		
	The PRC	**Hong Kong**	**Total**
Production	529	–	529
Quality control	75	–	75
Engineering	34	–	34
Mould fabrication	56	–	56
Sales and marketing	11	–	11
Procurement	16	–	16
Accounting and finance	19	–	19
Administration	67	1	68
Total	807	1	808

	As at 31 August 2017		
	The PRC	**Hong Kong**	**Total**
Production	691	–	691
Quality control	82	–	82
Engineering	28	–	28
Mould fabrication	55	–	55
Sales and marketing	9	–	9
Procurement	15	–	15
Accounting and finance	18	–	18
Administration	69	1	70
Total	**967**	**1**	**968**

	As at the Latest Practicable Date		
	The PRC	Hong Kong	Total
Production	530	–	530
Quality control	77	–	77
Engineering	29	–	29
Mould fabrication	56	–	56
Sales and marketing	12	–	12
Procurement	14	–	14
Accounting and finance	19	–	19
Administration	64	1	65
Total	801	1	802

Note: As at 31 December 2014, 2015 and 2016, 31 August 2017 and the Latest Practicable Date, the number of employees involved in research and development activities of the Group were 66, 66, 66, 100 and 111 respectively, and mainly consists of employees under the engineering, production and quality control departments.

During the Track Record Period and up to the Latest Practicable Date, all staff dispatched from the independent human resources companies worked in the production department and/or quality control department.

Relationship with staff

The Directors confirm that the Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel during the Track Record Period. A labour union was established by employees of Tongda Suzhou in January 2016.

The Directors consider that the Group has maintained good relationship with its respective employees and has not employed any child labour. The Directors confirm that the Group has complied with all applicable material labour laws and regulations in the PRC since the commencement of the Track Record Period.

As required by PRC regulations, the Group makes contributions to mandatory social security funds for the benefit of the Group's employees that provide for pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group also pays housing provident funds for employees in the PRC.

Training

The Group intends to use its best effort to attract and retain appropriate and suitable personnel to serve the Group. The Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of the Group.

The Group provides various types of trainings to its employees. The Group provides trainings to new employees to explain the Group's internal rules and to enhance employees' safety awareness. In addition, the Group provides trainings to its existing employees on quality control standards, computer and information security, health and work safety, environmental protection, use and storage of chemicals, first-aid, and use of protective equipment. Through these trainings, the Group intends to cultivate a sense of work safety among its employees and to enhance the technical skills relevant to employees' responsibilities.

Remuneration policy

The Group entered into separate labour contracts with each of its employees in accordance with the applicable labour laws in Hong Kong and the PRC.

The remuneration package the Group offers to its employees includes salary, bonuses and other cash subsidies. In general, the Group determines employee salaries based on each employee's qualifications, position and seniority. The Group has designed an annual review system to assess the performance of its employees, which forms the basis of its decisions with respect to salary raises, bonuses and promotions.

Summary of labour dispatch agreements

The Group has entered into labour dispatch agreements with three human resources companies in the PRC during the Track Record Period. As of February 2016, the number of dispatched workers has been reduced to no more than 10% of the total number of the Group's staffs. A summary of the general terms and conditions of the labour dispatch agreements is as follows:

Major obligations of the Group include:

- paying a monthly lump sum calculated on a per-worker basis for the dispatched workers and the human resources company's management fees; and
- in the event of work-related injury, being responsible for compensation in accordance with the specific terms of the respective labour dispatch agreements if the amount exceeds the relevant insurance coverage.

The human resources companies' major obligations include:

- entering into labour contracts with the dispatched workers and processing wages to the dispatched workers on the Group's behalf;
- making social insurance contributions for the dispatched workers; and
- dispatching suitable workers.

The Group has also been advised by the PRC legal advisers that the human resources companies engaged by the Group holds the relevant permits and that the agreements entered into with it is effective and legal. Pursuant to the agreements, the human resources companies are responsible for the salaries and social insurance of the contract staff hired by the Group through the respective human resources companies, payment for which will be made out of the fee paid to it by the Company. According to the PRC Labor Contract Law and Interim Provisions on Labour Dispatch, which came into effect on 1 January 2008 and 3 March 2014 respectively, the human resources companies are liable if it fails to comply with all applicable labour laws relating to the contract staff supplied by them and if no damage was caused by the Group to the contract staff supplied by the human resources companies. However, the Company will have the right to sue the human resources companies for any loss (i.e. in relation to salaries and social insurance) caused by the human resources companies failure to comply with the agreement enter into between the Company and the respective human resources companies.

PROPERTIES

As at the Latest Practicable Date, the Group did not own any properties. The Group currently leases the production bases in Changshu, the PRC.

Set out below is a summary of the Group's leased properties as at the Latest Practicable Date:

	Location	Lettable area	Lessor	Key terms of the tenancy	Use of the property
	Changshu Factory				
1.	18 Nanxin Road, Changshu, Suzhou, Jiangsu Province, the PRC	11,063 sq.m.	Suzhou Jiatai	The lease is for a period from 1 January 2016 to 31 December 2025 at a monthly rent of about RMB104,000.	Manufacturing base and staff quarters
2.	15-23 Nanxin Road, Changshu, Suzhou, Jiangsu Province, the PRC	21,500 sq.m.	常熟市金穗房地產有限責任公司 (Changshu City Jinsui Real Estate Co., Ltd*)	The lease is for a period from 1 June 2015 to 31 May 2020 at a monthly rent of about RMB200,000.	Manufacturing base and staff quarters
3.	4th to 5th Floor, North Building, Migrant Workers Staff Quarters, Changkun Farmers Market, Changshu, Suzhou, Jiangsu Province, the PRC	2,862 sq.m.	常熟市沙家浜鎮朗城村村民委員會 (Langcheng Village Committee of Shajiabang Town, Changshu City*)	The lease is for a period from 1 June 2017 to 31 May 2018 at a monthly rent of about RMB35,775.	Staff quarters
4.	3rd Floor, North Building, Migrant Workers Staff Quarters, Changkun Farmers Market, Changshu, Suzhou, Jiangsu Province, the PRC	1,431 sq.m.	常熟市沙家浜鎮朗城村村民委員會 (Langcheng Village Committee of Shajiabang Town, Changshu City*)	The lease is for a period from 16 January 2018 to 15 July 2018 at a monthly rent of about RMB17,888.	Staff quarters

* *for identification purpose only*

For further details regarding leases executed with the connected persons with respect to the Hong Kong Office, please refer to the section headed "Connected transactions — Continuing connected transactions" in this prospectus.

Tenancy agreement no. 3 and no. 4 cannot be registered as the landlord of the staff quarters, who is an Independent Third Party, failed to provide certain documents for registration. Pursuant to the relevant provisions under the Urban and Rural Planning Law of the PRC (中華人民共和國城鄉規劃法), the landlord may be subject to different levels of penalty or the building may be ordered to be dismantled depending on circumstances. Pursuant to the Administrative Measures for Residential Building Leasing of Suzhou City (蘇州市居住房屋出租管理辦法), the relevant governmental authority is entitled to ask the parties to a lease to register the lease within the prescribed time.

According to the PRC Legal Advisers, the Group as the tenant will not be subject to the potential administrative penalties that may be imposed. However, the lease may be held invalid. The Group may be compelled to leave the said building and relocate the staff quarters.

The Group has endeavoured to rectify such incident and actively communicated with the landlord to provide the necessary documents for registration. During the Track Record Period and up to the Latest Practicable Date, the Group had not been ordered by any authorities to register the lease agreement within the prescribed time and had not received any other orders, demands and punishment from relevant government authorities in relation to the incident.

The Directors believe that the landlord was not wilful on such incident, which was due to the absence of timely and professional advice at material time. As such incident relates to one of the Group's staff quarters, the Directors consider that the operation risk of affecting the Group's business is remote and up to the Latest Practicable Date, no contingency plans were considered necessary.

Except for as disclosed above, the other landlords of the leased properties have provided with evidence of necessary title documents, the PRC Legal Advisers have advised that such leases in the PRC the Group has entered into are legal, valid and binding.

NON-COMPLIANCE

The Directors confirm that, save as disclosed below, the Group has complied with all applicable laws and regulations in all material respects in the PRC (being the principal jurisdiction in which the Group operates) during the Track Record Period and up to the Latest Practicable Date.

The table below summarised the past non-compliance with the Regulations on the Administration of Environmental Protection for Construction Projects (《建設項目環境保護管理條例》) by the Group:

Incident of non-compliance	Underlying reason for the non-compliance	Potential maximum penalty/fine	Remedial actions	Enhanced internal control measures
Tongda Suzhou did not obtain the requisite environmental protection design approval and completion acceptance approval prior to the commencement of its operations.	The administrative department of the Group has been inadvertent and did not pay sufficient attention to the relevant laws and regulations.	Pursuant to the Regulations on the Administration of Environmental Protection for Construction Projects (《建設項目環境保護管理條例》), the environmental protection department is entitled to order stop production or use, and Tongda Suzhou may be fined for not more than RMB100,000.	Tongda Suzhou has obtained the requisite environmental protection design approval on 15 April 2016. Tongda Suzhou has obtained the requisite environmental protection completion acceptance approval on 31 March 2016, 1 April 2016 and 17 May 2016. On 1 March 2017, Tongda Suzhou obtained a written confirmation and an enquiry result on 7 February 2018 from the Environmental Protection Bureau of Changshu City (常熟市環境保護局) confirming that from 27 March 2010 to 7 February 2018 Tongda Suzhou has not been subject to any administrative penalties imposed by the Environmental Protection Bureau of Changshu City. As advised by the PRC Legal Advisers, the Environmental Protection Bureau of Changshu City is a competent authority to issue such confirmation. Based on the above factors, the PRC Legal Advisers are of the view that the risk of the department in charge imposing punishment on the Group is low.	The Group has implemented a set of internal control policies relating to compliance with environmental laws and regulations in the PRC, among others (i) appointing legal advisers in the PRC to provide training to the Directors on the relevant laws and regulations, including but not limited to those on the environmental laws and regulations from time to time; and (ii) appointing a designated personnel to be responsible for the monitor and supervision on the Group's compliance with such laws and regulations.

Having considered that (i) the PRC Legal Advisers are of the view that the risk of punishment on the Group in relation to the abovementioned non-compliance incident is low; (ii) the Group has rectified the non-compliance and had not received any orders or demands from the relevant government authorities; and (iii) the non-compliance was not willful but due to inadvertent omission and oversight of the relevant environmental laws and regulations, the Directors are of the view and the Sponsor concurs that such non-compliance incident will not result in any material adverse impact on the Group's business, financial condition and operation results.

Save as the above, the Directors are not aware of any historical and material non-compliance of the Group under PRC laws and regulations which have caused and would have a material adverse effect on the Group's business, results of operations and financial condition during the Track Record Period and as at the Latest Practicable Date.

LITIGATION

As at the Latest Practicable Date, the Group had not been involved in any pending or threatened arbitration, litigation or administrative proceedings which had or could be expected to have a material adverse effect on the Group's business, results of operations and financial condition.

TAXATION

The Group was mainly subject to PRC enterprise income tax, VAT and PRC withholding income tax during the Track Record Period.

PRC enterprise income tax

The standard tax rate of PRC enterprise income tax is 25% on the income for statutory reporting purpose, adjusted for income and expense items which are not assessable or deductible for income tax purpose based on existing PRC income tax regulations, practice and interpretation thereof.

During the two years ended 31 December 2015, Tongda Suzhou was subject to the standard tax rate of 25%. Tongda Suzhou obtained the high and new technology enterprise certificate on 30 November 2016, the valid period of the certificate is three years. According to the Notice of Tax Matters issued by the State Administration of Taxation of Changshu Municipality on 10 February 2017, Tongda Suzhou was subject to a 15.0% income tax rate during the year ended 31 December 2016.

PRC withholding income tax

In accordance with the Arrangements between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion With Respect to Taxes On Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), promulgated by the SAT and Hong Kong Special Administrative Region on 21 August 2006 dividends paid by a PRC enterprise to a Hong Kong resident may be taxed in the PRC according to the applicable PRC tax laws, and vice versa. Where the beneficial owner of the dividends is a resident of the other side (e.g. dividends of a PRC company paid to a Hong Kong resident), the tax charged shall not exceed: (a) where the beneficial owner is a company holding directly at least 25% of the equity interest of the Company which pays the dividends, 5% of the distributed dividends after obtaining the approval from the relevant tax bureau; and (b) in any other case, 10% of the distributed dividends.

LICENSES AND PERMITS

Tongda Suzhou has obtained a printing licence with a permitted scope of printing of packaging and decorative printing products and with a term of validity commencing from March 2014 and ending in March 2018, except that, there is no specific licensing requirement for conducting the Group's business in the PRC in addition to what is generally required for carrying on businesses in the PRC. Pursuant to the advice of the PRC Legal Advisers, the Group has obtained all material licenses, permits and certificates which are necessary for its operations in the PRC.

CONNECTED TRANSACTIONS

The following connected transaction was entered into between the Group and the relevant connected persons of the Company:

EXEMPT CONTINUING CONNECTED TRANSACTIONS

De minimis transaction fully exempt from shareholders' approval, annual review and all disclosure requirements

(a) Introduction

Lease of Hong Kong back office by the Group from the Tongda Group

The Group will lease a designated area in an office property in Hong Kong currently owned by Tongda Group for performing its administrative functions, such as accounting, corporate secretarial and compliance, in Hong Kong. It is expected that the Tongda Group will lease the Hong Kong Office with a total floor area of approximately 200 sq.ft. to the Group for a monthly rental of HK$11,000 plus disbursements such that the Group can use the Hong Kong Office as its headquarters following the Spin-off and the Listing.

(b) Connected persons

As at the Latest Practicable Date, Tongda Group International is an associate of Landmark Worldwide Holdings Limited, a Controlling Shareholder. Accordingly, Tongda Group International is a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

Lease relating to Hong Kong Office

On 8 February 2018, the Company entered into the Hong Kong Office Lease with Tongda Group International, a subsidiary of Tongda, under which the Hong Kong Office is to be leased to the Company for a term from the Listing Date to 31 December 2020 at a monthly rental of HK$11,000. The principal terms of the Hong Kong Office Lease are set out below:

Parties:	The Company, as tenant Tongda Group International, as landlord
Location of the premises:	Room 1203, 12th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong with a total floor area of approximately 200 sq.ft.
Rent:	HK$11,000 per month

Other disbursements:	HK$36,000 per annum (including management fees, air conditioning fees, telephone fees and utility fees)
Term:	From the Listing Date to 31 December 2020

The total amount payable by the Company to Tongda Group International under the Hong Kong Office Lease is HK$168,000 per annum. The management fees, air-conditioning fees, telephone fees and utilities fees payable by the Company to Tongda Group International under the Hong Kong Office Lease were apportioned on a prorated basis based on the total floor area of the Hong Kong Office leased by the Company over the total floor area of Room 1201-1203, 12th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, which was arrived at after arm's length negotiation and with reference to the prevailing market rate.

(c) Proposed annual caps

The Directors anticipated that the maximum aggregate annual amount of fees payable by the Group to Tongda Group for the transactions contemplated under the Hong Kong Office Lease for the years ending 31 December 2018, 2019 and 2020 shall not exceed the respective cap(s) set out below:

	Proposed annual caps		
	Year ending 31 December		
	2018	**2019**	**2020**
	HK$'000	*HK$'000*	*HK$'000*
Rental for Hong Kong Office Lease	133	168	168

The Hong Kong Office Lease Annual Caps were calculated with reference to the agreed monthly rent and management fees, air conditioning fees, telephone fees and utility fees payable by the Company to Tongda Group International under the Hong Kong Office Lease for each of the three years ending 31 December 2018, 2019 and 2020.

In determining the Hong Kong Office Lease Annual Caps, the Directors have considered the prevailing market rate for leases similar to that of the Hong Kong Office Lease. An independent valuer has reviewed the Hong Kong Office Lease and confirmed that the rent payable under the Hong Kong Office Lease is fair and reasonable and is consistent with prevailing market rates for similar premises in similar locations and the terms of the Hong Kong Office Lease are on normal commercial terms or better.

LISTING RULES IMPLICATIONS

As all the applicable percentage ratios (other than the profits ratio), calculated with reference to the Hong Kong Office Lease Annual Caps, are less than 5% and the amount is less than HK$3,000,000, the Hong Kong Office Lease constitutes de minimis transaction that is fully exempted from Shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

CONFIRMATION FROM DIRECTORS

The Directors (including the independent non-executive Directors) consider that the lease of Hong Kong Office under the Hong Kong Office Lease is in the ordinary and usual course of business of the Group, on normal commercial terms or better, and such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) consider that the Hong Kong Office Lease Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CONFIRMATION FROM THE SPONSOR

The Sponsor is of the view that the non-exempt continuing connected transaction referred to in the above is in the ordinary and usual course of business of the Group, on normal commercial terms or better, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, save as disclosed in this prospectus, no connected transaction had been entered into between the Group and the relevant connected persons of the Company.

SUMMARY INFORMATION OF THE DIRECTORS AND SENIOR MANAGEMENT

The Board currently consists of seven Directors comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The powers and duties of the Board include but are not limited to (i) convening Shareholders' meetings, reporting on the Board's work at these meetings, implementing the Shareholders' resolutions passed at these meetings; (ii) determining business operation, financial, capital and investment plans; (iii) determining internal management structure, setting down fundamental management rules; (iv) appointing and discharging members of senior management, determining Directors' remuneration and formulating the Group's proposals for profit distributions and for the increase or reduction of registered capital; and (v) taking responsibilities pursuant to the relevant laws, regulation and the Articles of Association. The Group had entered into a service contract with each of the executive Directors. The Group had also entered into a letter of appointment with each of the non-executive Director and each of the independent non-executive Directors. The following table sets out the information regarding the members of the Board:

Name	Age	Date of joining the Group	Date of appointment as Director	Position	Principal responsibilities	Relationship with other Director(s) and/or senior management
Mr. Wong Ming Li (王明利)	35	6 May 2010	21 March 2016	Executive Director and general manager	Overall strategic directions and business operations of the Group	Son of Mr. Wong Ah Yu and nephew of Mr. Wang Ya Nan
Mr. Wong Ah Yu (王亞榆)	64	27 March 2010	19 April 2016	Executive Director	Overall strategic directions and business operations of the Group	Elder brother of Mr. Wang Ya Nan and father of Mr. Wong Ming Li
Mr. Wang Ming Zhi (王明志)	36	8 May 2010	21 March 2016	Executive Director	Overall strategic directions and business operations and financial reporting of the Group	Nil
Mr. Wang Ya Nan (王亞南)	59	27 March 2010	19 April 2016	Non-executive Director and chairman of the Board	Overall strategic directions of the Group	Younger brother of Mr. Wong Ah Yu and uncle of Mr. Wong Ming Li
Ms. Leung Pik Kwan (梁碧君)	39	8 February 2018	8 February 2018	Independent non-executive Director	Providing independent judgment on the Group's strategy, performance, resources and standard of conduct	Nil

Name	Age	Date of joining the Group	Date of appointment as Director	Position	Principal responsibilities	Relationship with other Director(s) and/or senior management
Mr. Sun Wai Hong (孫偉康)	32	8 February 2018	8 February 2018	Independent non-executive Director	Providing independent judgment on the Group's strategy, performance, resources and standard of conduct	Nil
Mr. Wu Kin San Alfred (胡健生)	36	8 February 2018	8 February 2018	Independent non-executive Director	Providing independent judgment on the Group's strategy, performance, resources and standard of conduct	Nil

The following table sets out the information regarding the senior management team of the Group:

Name	Age	Date of joining the Group	Position	Principal responsibilities	Relationship with other Director(s) and/or senior management
Mr. Guo Qi Cai (郭啟才)	67	10 May 2010	Deputy general manager and chief engineer	The overall research and development activities for mould fabrication and technologies applied by the Group	Nil
Mr. Ba Ping An (巴平安)	42	5 April 2012	Head of the engineering department	Overall project development and to improve the production process of the Group	Nil
Mr. Liu Qiang (劉强)	41	22 May 2012	Head of the sales department	Overall business development and customer relationship management	Nil
Ms. Lam Siu Wa (林少華)	44	16 May 2016	Company Secretary	Overall company secretarial matters	Nil

Executive Directors

Mr. Wong Ming Li (王明利), aged 35, is an executive Director and the general manager of the Group. He is responsible for overall strategic directions and business operations of the Group. He has been the general manager of Tongda Suzhou since May 2010 and was re-designated as an executive Director on 21 March 2016 for an initial term of 3 years commencing on the Listing Date. He was employed by Tongda Shishi as a manager of the procurement department from September 2007 to May 2010. Tongda Shishi principally manufactures and sells casings and accessories for handsets and electrical appliance products and Mr. Wong Ming Li was responsible for the overall management of the procurement cycle. He graduated from Macquarie University, Australia with a bachelor's degree in Commerce in April 2007. He has over 10 years' experience in the electronics and electrical industry. He is a son of Mr. Wong Ah Yu, an executive Director and nephew of Mr. Wang Ya Nan, a non-executive Director.

Mr. Wong Ah Yu (王亞榆), aged 64, is an executive Director. He is responsible for overall strategic directions and business operations of the Group. He is the executive director and deputy general manager of Tongda and will be re-designated as a non-executive director and resigned as deputy general manager of Tongda before completion of the Spin-off. He has been the executive director of Tongda Suzhou since March 2010 and was re-designated as an executive Director on 19 April 2016 for an initial term of 3 years commencing on the Listing Date. Mr. Wong Ah Yu has joined Tongda since December 1988 and has been an executive director of Tongda since September 2000, and he is responsible for the overall strategic directions, financial management, human resources and administration of Tongda. He has over 37 years' experience in the electronics and electrical industry. He is a brother of Mr. Wang Ya Nan, a non-executive Director and father of Mr. Wong Ming Li, an executive Director.

Mr. Wang Ming Zhi (王明志), aged 36, is an executive Director and is responsible for overall strategic directions and business operations and financial reporting of the Group. He was appointed as a financial manager of Tongda Suzhou in May 2010 and was re-designated as an executive Director on 21 March 2016 for an initial term of 3 years commencing on the Listing Date. He was an accounting, financial laws and regulations teacher in Shishi Peng Shan Trade and Industrial School* (石獅鵬山工貿學校) from August 2004 to September 2006. From September 2006 to October 2009, he served as an office supervisor in Shishi Wannian Plastic Co., Ltd.* (石獅萬年塑料有限公司) which principally operates in the plastic packaging business and he was responsible for the overall human resources and administration of the company. He had held the position of leader of cost department in Tongda Shishi from October 2009 to May 2010, which he was mainly responsible for cost control, budget forecast and cost analysis of Tongda Shishi. As mentioned above, Tongda Shishi principally manufactures and sells casings and accessories for handsets and electrical appliance products. He has over 8 years' experience in the electronics and electrical industry. He obtained a bachelor's degree in Management (School of Tourism) from Fujian Agriculture and Forestry University (福建農林大學) in July 2004.

* *for identification purpose only*

Non-executive Director

Mr. Wang Ya Nan (王亞南), aged 59, is a non-executive Director and the chairman of the Board. He is responsible for overall strategic directions of the Group. He is currently an executive director, the chairman and chief executive officer of Tongda. Mr. Wang Ya Nan has joined Tongda since December 1988 and has been an executive director of Tongda since September 2000, and he is mainly responsible for the overall strategic planning and business development of Tongda. He was appointed as a non-executive Director on 19 April 2016 for an initial term of 3 years commencing on the Listing Date. He has over 37 years' experience in the electronics and electrical industry. He graduated with an Executive Master of Business Administration degree from Xiamen University in December 2012 and serves as a member of the Standing Committee of the Chinese People's Political Consultative Conference. He is a brother of Mr. Wong Ah Yu, an executive Director and an uncle of Mr. Wong Ming Li, an executive Director.

The Group's succession plan on its management team

Instead of day-to-day management and operation of the Group, the major responsibility of Mr. Wang Ya Nan as a non-executive Director is to serve as a consultant and provide advice to the senior management of the Group in relation to the overall strategic directions.

Mr. Wong Ah Yu who is an executive Director will be actively involved in the daily operation of the Group. The major responsibility of Mr. Wong Ah Yu is to oversee the production function of the Group which is managed and operated by a well-established team of senior management including Mr. Guo Qi Cai and Mr. Ba Ping An who have over 47 years and 13 years of experience in the electronics and electrical industry respectively.

The overall operation of the Group is currently managed by Mr. Wong Ming Li who is the general manager of Tongda Suzhou and an executive Director. Mr. Wong Ming Li has over 10 years' experience in the electronics and electrical industry. Mr. Wang Ming Zhi who is an executive Director responsible for overall strategic directions and business operations and financial reporting of the Group has over 8 years' experience in the electronics and electrical industry. Having considered that Mr. Wang Ya Nan and Mr. Wong Ah Yu mainly contribute to the Group by providing supervision and advices to the senior management of the Group while day-to-day operations and business development are actively managed by other key management members who possess extensive industry experience, the Directors are of the view that in the event of retirement of Mr. Wong Ah Yu and Mr. Wang Ya Nan, the team of experienced senior management would continue to contribute to the Group and there would not be any material adverse effect on the Group's operation and future development.

Nonetheless, Mr. Wong Ah Yu and Mr. Wang Ya Nan have indicated to the other Directors that they do not have intention to retire in the near future.

Independent non-executive Directors

Ms. Leung Pik Kwan (梁碧君), aged 39, was appointed as an independent non-executive Director on 8 February 2018. Ms. Leung is currently a certified public accountant practising as a sole proprietor and provides audit and assurance services. Ms. Leung obtained a bachelor's degree of Arts in Accountancy from Hong Kong Polytechnic University in November 2001. Ms. Leung was admitted as a member of the HKICPA in January 2005 and a practicing member of the HKICPA since 2009.

Ms. Leung commenced her career with Deloitte Touche Tohmatsu from September 2001 to August 2006 as a staff accountant and she became a senior accountant before she left. She was a manager in KPMG from February 2007 to May 2008. During her employment with the international accounting firms, Ms. Leung was mainly involved in audit engagements of various manufacturing companies. From June 2008 to December 2010, she worked as a financial controller in Kerson Technology Limited and was responsible for solving accounting issues and improving internal control. She has over 9 years of experience in accounting, auditing and financial management.

Mr. Sun Wai Hong (孫偉康), aged 32, was appointed as an independent non-executive Director on 8 February 2018. Mr. Sun obtained a bachelor's degree in Professional Accountancy from Chinese University of Hong Kong in December 2007. He was admitted as a member of the HKICPA in January 2011.

Mr. Sun was previously employed by Deloitte Touche Tohmatsu from September 2007 to January 2012 and became a senior associate in the audit department before he left. He worked as a financial analyst at Hutchison Telecommunications (Hong Kong) Limited from February 2012 to April 2013 and then joined the working holiday scheme in Australia from April 2013 to March 2014. He worked as a business consultant at Whim Consultatory Limited, a business consulting company from April 2014 to November 2014. Mr. Sun is the co-founder and has been a director of eLabs Company Limited, one of the incubatees of Hong Kong Science and Technology Park, since April 2014. He is responsible for the company's strategic planning, business development, sales and marketing planning, investor and finance management, and product design.

Mr. Wu Kin San Alfred (胡健生), aged 36, was appointed as an independent non-executive Director on 8 February 2018. Mr. Wu obtained a bachelor's degree of Arts in Accounting and Financial Analysis and a Master's degree of Arts in International Financial Analysis from University of Newcastle upon Tyne (currently known as Newcastle University), the United Kingdom in July 2002 and December 2003, respectively. He has been a member of the HKICPA since March 2009.

Mr. Wu has approximately 14 years of experience in auditing, corporate finance and investment banking. Mr. Wu worked in the audit department of Deloitte Touche Tohmatsu from January 2004 to August 2007 when he left the firm as a senior. Mr. Wu then commenced his career in corporate finance and investment banking in August 2007 when he served as an analyst in the investment banking division in ICEA Capital Limited which was a licensed corporation under SFC. In April 2009, Mr. Wu joined the investment banking division in ICBC International Holdings Limited until February 2010 when he left that company as an associate. In February 2010, Mr. Wu joined as a vice president in CMB International Capital Corporation Limited, a licensed corporation under the SFC, and left the company in May 2013. In May 2013, Mr. Wu joined the corporate finance department in Haitong International Capital Limited, a corporate finance firm (being a subsidiary of Haitong International Securities Group Limited, a financial institution with its shares listed on the Stock Exchange (stock code: 665)) until August 2014 when he left that company as a vice president. In August 2014, Mr. Wu joined the investment banking department for IPO execution in Guosen Securities (HK) Financial Holdings Co., Ltd. until April 2016 when he left that company as a director and a responsible officer. From April 2016 to present, Mr. Wu is an executive director in the corporate finance department of Fortune Financial Capital Limited, which is a subsidiary of China Fortune Financial Group Limited, a financial institution with its shares listed on the Stock Exchange (stock code: 290).

Disclosure required under Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of the Directors confirms with respect to him/her that: (i) he/she has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she does not hold any other position in the Company or any of its subsidiaries; (iii) save as disclosed in the section headed "C. Further information about the Directors and Substantial Shareholders" in Appendix IV to this prospectus, he/she does not have any interests in the Shares within the meaning of Part XV of the SFO; (iv) there is no other information that should be disclosed for pursuant to Rule 13.51(2) of the Listing Rules; and (v) to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT

Mr. Guo Qi Cai (郭啟才), aged 67, has been a deputy general manager and a chief engineer of the Group since May 2010 who is primarily responsible for the overall research and development activities for mould fabrication and technologies applied by the Group. Before joining the Group, Mr. Guo worked in Nanjing 6902 Factory* (南京6902工廠) from 1970 to 1985 as an engineer. He then worked in Xiamen Gaoning Electronics Co., Ltd.* (廈門高寧電子有限公司) from 1985 to 1994 and his last position was a general manager. Mr. Guo worked in Tongda Shishi from 1994 to 2010 as the assistant general manager and chief engineer. He has over 47 years of experience in design and development of moulds in the electronics industry. He studied machinery manufacturing in Chongqing Institution of Communication Engineering* (重慶通訊工程學院) from 1975 to 1978. He has not held any directorships in any public listed companies in the past three years.

Mr. Ba Ping An (巴平安), aged 42, is the head of the engineering department and is primarily responsible for the overall project development and improving the production process of the Group. He studied plastic moulding technology and its related equipment in Huazhong University of Science and Technology, Hankou Branch (華中理工大學（漢口分校）) (currently known as Jianghan University) from September 1992 to July 1995. Mr. Ba has over 13 years of experience in the engineering field and specialises in computer applicant moulding design in the PRC. Before he joined the Group, Mr. Ba worked in Dading Company Accessory (Shanghai) Co., Ltd. (大碇電腦配件(上海)有限公司) from July 2004 to March 2012 and his last position was an assistant manager in the engineering department. Mr. Ba joined the Group in April 2012 as a manager of the engineering department and has been promoted to the head of the engineering department since April 2014. He has not held any directorships in any public listed companies in the past three years.

* *for identification purpose only*

Mr. Liu Qiang (劉强), aged 41, is the head of the sales department and is primarily responsible for the overall business development and customer relationship management of the Group. Before joining the Group, Mr. Liu worked in ShengMei Precision Industrial (Kunshan) Co., Ltd. (聖美精密工業(昆山)有限公司) from 1998 to 2012 and his last position was a manager of the mould technology department. Mr. Liu joined the Group in May 2012 as a manager of the injection moulding department and promoted as the head of the sales department since March 2014. Mr. Liu had over 19 years of working experience in the electronics and electrical industry. He has not held any directorships in any public listed companies in the past three years.

COMPANY SECRETARY

Ms. Lam Siu Wa (林少華), aged 44, was appointed as a company secretary on 20 May 2016 and is primarily responsible for overall company secretarial matters of the Group. Ms. Lam is a fellow member of both the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators and has approximately 6 years of experience in corporate governance. Ms. Lam worked as a company secretarial assistant in Hutchison International Limited from May 2011 to March 2013. Ms. Lam then worked as a company secretarial officer in Veda Corporate Services Limited from September 2013 to June 2014. From June 2014 to April 2015, Ms. Lam served as an assistant company secretary in Suncorp Technologies Limited (stock code: 1063), the shares of which are listed on the Main Board of the Stock Exchange. From June 2015 to December 2015, Ms. Lam served as a joint company secretary in SEEC Media Group Limited (stock code: 205), the shares of which are listed on the Main Board of the Stock Exchange.

Ms. Lam graduated from University of Newcastle in Australia with a Master of Business degree in 2007 and she also obtained a Master of Corporate Governance degree from Hong Kong Polytechnic University in 2014. She has not held any directorships in any public listed companies in the past three years.

REMUNERATION POLICY

After Listing, the Directors and senior management members will receive compensation in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and the performance of the Group. The Group will also reimburse the Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group will regularly review and determine the remuneration and compensation packages 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 the Directors and senior management and the performance of the Group.

After Listing, the remuneration committee of the Board will review and determine the remuneration and compensation packages of the Directors and senior management with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group.

REMUNERATIONS OF DIRECTORS AND SENIOR MANAGEMENT

For each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, the aggregate amount of fees, salaries, allowance, discretionary bonus, pension scheme contributions and other benefits in kind of (if applicable) paid by the Group to the Directors were nil, nil, approximately HK$644,000 and HK$573,000, respectively. The Directors' remuneration is determined with reference to salaries paid by comparable companies, their experience, their responsibilities and their performance.

During each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, the aggregate amount of fees, salaries, allowance, discretionary bonus, pension scheme contributions and other benefits in kind of (if applicable) paid by the Group to the five highest paid employees, other than the Directors, were approximately HK$845,000, HK$1,111,000, HK$2,247,000 and HK$1,798,000, respectively. The senior management remuneration is determined with reference to salaries paid by comparable companies, their experience, their responsibilities and their performance.

During the Track Record Period, no emoluments were paid by the Group to the Directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. No Director has waived or agreed to waive any emoluments during the Track Record Period. Saved as disclosed above, no other payments have been paid, or are payable, by the subsidiaries of the Company to the Directors during the Track Record Period.

Under the arrangement currently in force, it is estimated the aggregate amount (including salaries, benefits in kind but excluding discretionary bonuses) emoluments payable by the Group to the Directors is approximately HK$876,000 for the year ended 31 December 2017.

BOARD COMMITTEES

Pursuant to a resolution of the Directors passed on 8 February 2018, the Company established the audit committee, remuneration committee and nomination committee. The memberships in each of the committees are set out below:

Name	**Position**	**Audit committee**	**Remuneration committee**	**Nomination committee**
Ms. Leung Pik Kwan	Independent non-executive Director	Chairman	Chairman	Member
Mr. Sun Wai Hong	Independent non-executive Director	Member	Member	Member
Mr. Wu Kin San Alfred	Independent non-executive Director	Member	Member	Member

Name	Position	Audit committee	Remuneration committee	Nomination committee
Mr. Wang Ya Nan	Non-executive Director and the Chairman of the Board	N/A	N/A	Chairman

Audit committee

The Company has established the audit committee on 8 February 2018 in compliance with Rule 3.21 of the Listing Rules and the CG Code. Written terms of reference in compliance with code C.3 of the CG Code as set out in Appendix 14 of the Listing Rules have been adopted. The primary duties of the audit committee are to review and supervise the Group's financial reporting process, risk management and internal control systems, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance.

The audit committee of the Company comprises three independent non-executive Directors, namely Ms. Leung Pik Kwan, Mr. Sun Wai Hong and Mr. Wu Kin San Alfred. Ms. Leung Pik Kwan currently serves as the chairman of the audit committee.

Remuneration committee

The Company has established a remuneration committee on 8 February 2018 in compliance with Rule 3.25 of the Listing Rules and the CG Code. Written terms of reference in compliance with code B.1 of the CG Code as set out in Appendix 14 of the Listing Rules have been adopted. The primary duties of the remuneration committee are to make recommendations on the remuneration of the Company's senior management and to recommend members of the Board.

The remuneration committee of the Company comprises three independent non-executive Directors, namely Ms. Leung Pik Kwan, Mr. Sun Wai Hong and Mr. Wu Kin San Alfred. Ms. Leung Pik Kwan currently serves as the chairman of the remuneration committee.

Nomination committee

The Company has established a nomination committee on 8 February 2018 in compliance with the CG Code. Written terms of reference in compliance with code A.5 of the CG Code have been adopted. The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

The nomination committee of the Company comprises one non-executive Director, namely, Mr. Wang Ya Nan and three independent non-executive Directors, namely Ms. Leung Pik Kwan, Mr. Sun Wai Hong and Mr. Wu Kin San Alfred. Mr. Wang Ya Nan currently serves as the chairman of the nomination committee.

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, the Company has appointed Messis Capital as its compliance adviser. Pursuant to Rule 3A.23 of the Listing Rules, the Company will consult with and seek advice from the compliance adviser on a timely basis in the following circumstances:

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

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

(3) where the Company proposes to apply the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in this prospectus; and

(4) where the Stock Exchange makes an inquiry of the listed issuer under Rule 13.10 of the Listing Rules.

The term of appointment of the compliance adviser of the Company shall commence on the Listing Date and end on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

COMPLIANCE WITH THE CG CODE

The Company committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, the Company will comply with the code provisions set out in the CG Code after the Listing.

THE TONGDA DISTRIBUTION

In accordance with the requirements of Practice Note 15 of the Listing Rules, Tongda will give due regard to the interests of its shareholders by providing Qualifying Tongda Shareholders with an assured entitlement to the Shares by way of a distribution in specie of the Shares if the Spin-off and the Listing proceed. On 14 February 2018, Tongda declared the Tongda Distribution to the Qualifying Tongda Shareholders, being registered holders of issued Tongda Shares whose names appear on the register of members of Tongda on the Record Date. The Tongda Distribution will be satisfied by way of a distribution to the Qualifying Tongda Shareholders an aggregate of 151,293,138 Shares, representing approximately 80.0% of the enlarged issued share capital of the Company immediately after completion of the Spin-off and the Listing, in proportion to their shareholdings in Tongda on the Record Date. Pursuant to the Tongda Distribution, the Qualifying Tongda Shareholders will be entitled to one Share for every 40 Tongda Shares held on the Record Date. Fractions of the Shares will not be allotted to the Qualifying Tongda Shareholders under the Tongda Distribution. For the Qualifying Tongda Shareholders with fractional entitlement to the Shares under the Tongda Distribution, their entitlements will be rounded down to the nearest whole number of the Share. The fractional entitlements of the Qualifying Tongda Shareholders will be aggregated and sold by Tongda on the market at the price equivalent to the closing price for each Share on the date of Listing. The proceeds of sale (net of expenses and taxes) will be retained for the benefit of Tongda.

The Tongda Distribution is conditional upon (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer and any Shares, up to 10% of the Shares in issue on the Listing Date, to be issued upon the exercise of any options which may be granted under the Share Option Scheme, on the Main Board; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional or waived and the Underwriting Agreements not being terminated in accordance with their terms or otherwise. If such conditions are not satisfied, the Spin-off and the Listing will not take place.

Share certificates are expected to be despatched to Qualifying Tongda Shareholders on Thursday, 15 March 2018. Share certificates will only become valid certificates of title if the Spin-off and the Listing become unconditional in all respects at 8:00 a.m. (Hong Kong time) on Friday, 16 March 2018.

The Overseas Tongda Shareholders should inform themselves about and observe all legal and regulatory requirements applicable to them. It is the responsibility of the Overseas Tongda Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Tongda Distribution, including obtaining of any governmental, exchange control or other consents which may be required, or compliance with any other necessary formalities and payment of any issue, transfer or other taxes due in such jurisdiction. The Overseas Tongda Shareholders should consult their professional advisers if they are in any doubt as to the potential applicability of, or consequences under, any provision of law or regulation or judicial or regulatory decisions or interpretations in any jurisdiction, territory or locality therein or thereof and, in particular, whether there will be any restriction or prohibition on the receipt, acquisition, retention, disposal or otherwise with respect to the Shares.

If there are Overseas Tongda Shareholders on the Record Date, the directors of Tongda are to make enquiries as to whether the distribution of the Shares to the Overseas Tongda Shareholders will contravene the applicable securities legislation of the relevant overseas jurisdictions or the requirements of the relevant regulatory body or stock exchange. If, after making such enquiry, the directors of Tongda are of the opinion that it would not be lawful or expedient, on account of either the legal restrictions under the laws of the relevant jurisdiction or any requirements of the relevant regulatory body or stock exchange in that jurisdiction, to distribute the Shares to such Overseas Tongda Shareholders, they will be entitled to the Tongda Distribution but will not receive the Shares. Instead, they will receive a cash amount (after deducting expenses) equal to the net proceeds (if such net proceeds are equal to or more than HK$100) from the sales by Tongda on their behalves of the Shares to which they would otherwise be entitled pursuant to the Tongda Distribution at the prevailing market price. If the net proceeds are less than HK$100, the Company will retain such amount for its benefit. The net proceeds from such sales will be paid to the relevant Overseas Tongda Shareholders in Hong Kong dollars. Cheques for such net proceeds are expected to be despatched on or before Friday, 6 April 2018.

As at the Record Date, there were two Tongda Shareholders with registered addresses outside Hong Kong, namely in the PRC and the Philippines. Based on the legal opinions obtained by Tongda, there is no restriction under the applicable laws of the relevant jurisdiction or requirements of the relevant regulatory body or stock exchange for Tongda Shareholders with registered addresses in the PRC and the Philippines to receive Shares under the Tongda Distribution. Accordingly, Tongda Shareholders with registered addresses in the PRC and the Philippines will be entitled to receive Shares under the Tongda Distribution.

REASONS FOR AND BENEFITS OF THE SPIN-OFF AND THE LISTING

On 11 December 2015, Tongda submitted a proposal for the Spin-off to the Stock Exchange pursuant to Practice Note 15 of the Listing Rules. The Spin-off and the Listing is conditional upon:

(i) the Stock Exchange approving the Spin-off and the Listing;

(ii) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer and any Shares, up to 10% of the Shares in issue as at the Listing Date, to be issued upon the exercise of any options which may be granted under the Share Option Scheme, on the Main Board; and

(iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional or waived and the Underwriting Agreements not being terminated in accordance with their terms.

Tongda is a well-established company listed on the Main Board for over 17 years. Over the past years, Tongda has dedicated substantial amount of resources to the development of its Handset Casings Business with heavy investment in research and development and latest technology applicable to the production of high precision exterior and interior parts for handsets. The Handset Casings Business gradually grew into a principal sector of Tongda, contributing over 68% of total turnover of Tongda for the year ended 31 December 2016. Tongda strives to adapt to the dynamic handset casing market environment which is highly competitive in terms of advanced and demanding customer requirements over surface decorating techniques, casing materials and waterproof function. For instance, glass material is becoming a popular casing material applied to some high-end handsets in recent years which exerts pressure on the technological requirement of production facilities and research capabilities of the handset casing manufacturers. To solidify Tongda's foothold in the fast-paced handset casing market, directors of Tongda consider that it is Tongda's strategy to concentrate resources to achieve specialisation in manufacturing of handset casings while the Spin-off creates a separate fund raising platform for the Group to develop its notebook and tablet casing business without having to compete for capital resources with other business segments of the Tongda Group.

The competition in the notebook and tablet casing market is also intensifying over the years, and yet in a different way as compared with the handset casing market. While the notebook and tablet casing market features a relatively stable technological advancement, it is scattered with numerous manufacturers competing over the production of quality casing products at competitive prices. Market consolidation has exerted pressure on notebook and tablet casing manufacturers including the Group to optimise production process and expand production capacity in order to compete for market share. Notwithstanding that the notebook and tablet casing market has reached a mature and saturated level and is expected to follow a trend of negative growth as discussed in the section headed "Industry overview" in this prospectus, the Directors are of the view that there is plenty of room for the Group to expand given the tiny fraction of market shares currently held by the Group and it is the Group's strategy to scale up its production capacity in order to capture market share. The Spin-off enables the Group to gain access to capital market and finance its expansion plan so as to stay competitive under market consolidation.

In light of the aforementioned difference in market environment between (i) the handset casing business and (ii) the notebook and tablet casing business, the Directors and the directors of Tongda are of the view that the development paths and associated investment risks of the Group and the Tongda Group have diverged where the Group is expected to follow a stable and steady growth within a mature notebook and tablet casing market while the Tongda Group is expected to follow a rapid and dynamic growth within a rigorous handset casing market. The Spin-off and the Listing will (i) enable investors to appraise and assess the potential and the performance of the Group separately from the Remaining Businesses in order to make informed investment decisions based on their risk appetite and assessment of the respective business strategies and prospects; and (ii) provide flexibility for investors to choose between notebook and tablet casing business and handset casing business. For details of the Group's business strategies and prospects, please refer to the sections headed "Business — Business strategies" and "Industry overview", respectively in this prospectus.

The Directors and directors of Tongda consider that the Spin-off and the Listing will also be beneficial to both the Tongda Group and the Group for the following reasons:

(a) More defined business focus

As discussed above, the Group and the Tongda Group have different growth paths and business strategies due to the differences in market environment of the handset casing industry and the notebook and tablet casing industry entailing the business delineation between the companies. Accordingly, the Spin-off and the Listing will provide separate platforms for the business of the Group and that of the Remaining Group to grow with more focused development and strategic planning of their respective operations. Furthermore, the respective management can focus and dedicate their time on separate business ventures which will in turn enhance their efficiency and decision-making processes under the separate management structure for taking advantage of emerging business opportunities and enhance the value of the Group;

(b) Taking advantage of the Group's growth potential

Although the notebook and tablet casing market has reached a mature and saturated level and is expected to follow a trend of slight negative growth as discussed in the section headed "Industry overview" in this prospectus, the Directors are of the view that there is plenty of room for the Group to expand given the tiny fraction of market shares currently held by the Group. Prior to the Spin-off and the Listing, the Group is a relatively small business segment within Tongda and it is common practice for management of Tongda to allocate resources based on the revenue contribution of each particular segment after taking into consideration the overall strategic plan and development path of the group as a whole, thereby hindering the growth of the notebook and tablet casing business which in turn limited the growth potential of the Group. Given the different associated investment risks of the Group and the Tongda Group as discussed above and the different opportunities and threats in the handset and the notebook and tablet casing market as discussed in the section headed "Industry overview — Differentiation of notebook and tablet casing market with handset casing market" in this prospectus, the Spin-off and the Listing enable the Group to establish its own investor base which is seeking investment in a relatively stable and steady notebook and tablet casing industry and enables the Group to capitalise on the opportunities in the gaming notebooks market which has grown rapidly in the past few years and has emerged as a standalone industry;

(c) Enhancing the Group's capital raising capability

Despite that the amount of funds to be raised from the Share Offer is relatively small, the Directors are of the view that it is sufficient for the Group to kick start its business strategies to capture market shares by pursuing the expansion plan as set out in the section headed "Future plans and use of proceeds from the Share Offer" in this prospectus and enable the Group to build its identity as a separately listed group. Moreover, the Spin-off and the Listing will provide a separate fund-raising platform for the Company to gain direct access to both equity and/or debt capital markets and without reliance on the Remaining Group. The separate Listing of the Group will also facilitate the securing of bank credit facilities to fund the Group's existing operations and future expansion, thereby accelerating the Group's expansion and improving its operating and financial performance, which will in turn result in better financial returns to shareholders of both the Group and the Tongda Group; and

(d) Enhancing the value of the Group

The Spin-off and separate Listing of the Company is expected to enhance the value of the Group as the Listing is expected to:

(i) enhance the Group's profile as a separately listed group and the Group will be able to build on its reputation further amongst its customers, suppliers, and other business partners and be in a better position to negotiate and solicit more business, as well as its ability to recruit good talents available;

(ii) lead to a more direct alignment of management's responsibilities and accountability with the Group's operating and financial performance, as a result of heightened scrutiny of the investor community. This is anticipated to enhance management focus, lead to faster response-time to market changes as well as increase operational efficiency. It will be relatively easier to measure the management's performance against the stock market performance of the Company in comparison with industry peers listed on the Stock Exchange. It will also be possible to link management incentives to performance, thereby increasing management motivation and commitment;

(iii) provide clarity on the credit profile of the Company for rating agencies and financial institutions that wish to analyse and lend against the credit of a company engaged in similar business; and

(iv) enhance the Group's corporate profile, thereby increasing its ability to attract strategic investors which could provide synergy with the Group as well as investment in and forming strategic partnerships directly with the Group.

DELINEATION OF BUSINESS BETWEEN THE GROUP AND TONGDA GROUP

Key differences in the businesses of the Group and the Tongda Group

Prior to the Reorganisation, the notebook and tablet casings business fell into one of the three business segments of the Tongda Group. The three business segments are electrical fittings, ironware parts, and communication facilities and others. The revenue generated from electrical fittings segment represented approximately 75.9%, 78.7%, 82.0% and 78.5% of the total revenue of Tongda while the segment result contributed by electrical fittings segment represented approximately 85.7%, 85.3%, 90.0% and 99.6% of the results of Tongda for the three years ended 31 December 2016 and for the eight months ended 31 August 2017 respectively. Following the completion of the Spin-off and the Listing, the Tongda Group will not undertake any business in relation to the notebook and tablet casings business and will continue to operate the Remaining Businesses in the three segments. The Group will focus on the manufacturing of notebook and tablet casings. The table below illustrates the key differences in the businesses of the Group and the Tongda Group:

	The Group	**Tongda Group**		
	Spin-off Business	*1.Electrical fittings*	*2. Ironware parts*	*3. Communication facilities and others*
Principal products	Casings and components of notebook and tablet.	Components for handsets (mainly for smartphones) and other electrical appliance products.	Metal components for electrical and electronic appliances such as panels and casings of air conditioners, refrigerators, washing machines.	Set top box and sports and other durable household products, and interior decorative parts of automobile.
Principal raw materials	1. PC 2. ABS 3. Aluminium metal sheets with lower strength and stiffness	1. Polyphenylene sulfide 2. PC 3. ABS 4. Stainless steel 5. Aluminium metal sheets with higher strength and stiffness	1. PC 2. Aluminium metal sheets with lower strength and stiffness	1. ABS 2. Steel, electro galvanised, coldrolled, coil 3. Hot dip galvanised steel
Principal suppliers	Raw materials are principally sourced in the PRC, Taiwan and Hong Kong. Products of China, Japan and Korea.	Raw materials are principally sourced in the PRC, Japan, Korea and Hong Kong. Products of China, Japan and Korea.	Raw materials are principally sourced in the PRC, Taiwan and Hong Kong. Products of China, Japan and Korea.	Raw materials are principally sourced in the PRC, Taiwan, Malaysia, the USA and Hong Kong. Products of China and Korea.
Principal customers	OEMs which manufacture notebooks and tablets.	Brand owners which manufacture and sell handsets and household electrical appliances respectively.	Corporations which manufacture and sell electrical appliances and other household products.	Corporations which manufacture and sell set top box, sports and other durable household products, and automobiles.

The table below sets forth a comparison of different key technology and machinery used in the production process of the Spin-off Business of the Group and the Remaining Businesses of the Tongda Group:

	Major production process			
	Mould fabrication	*Processing*	*Surface decoration*	*Assembly*
The Group				
Spin-off Business	High speed CNC which is specialised for fabricating larger moulds.	Injection machine with wider cylinder diameter for the production of larger products.	Semi-automatic spray line, IML and IMR.	Hot-melt machines and screwing machines, generally require the use of more manual operation.
The Tongda Group				
Electrical fittings	High speed precision CNC which is specialised for producing smaller moulds with ultrafine surface.	(i) Electrical precision injection machine with smaller cylinder diameter for the production of smaller products; and (ii) CNC milling.	Anodising and IML.	Labelling machines and automatic screwing machines.
Ironware parts	High speed CNC which is specialised for fabricating larger moulds.	Metal extrusion/ stamping machine.	Anodising.	Labelling machines and automatic screwing machines.
Communication facilities and others	High speed CNC which is specialised for fabricating larger moulds.	(i) Injection machine with wider cylinder diameter for the production of larger products; and (ii) Double-shot injection moulding machine.	Semi-automatic spray line and IML.	Labelling machines and automatic screwing machines.

As shown in the table above, the principal products of each segment differ from each other and the Directors consider that there is no overlapping in the market targeted by the Group and the Tongda Group. Notwithstanding that some of the raw materials used in production are common, the distinctive combination of raw materials tailored for the specifications and features of different products differentiate the Spin-off Business from each of the Remaining Businesses undertaken by the Tongda Group.

As advised by the Directors, the key technology and machinery deployed by the Spin-off Business of the Group and each of the Remaining Businesses are generally not interchangeable due to the fact that the market standards for notebook and tablet casings produced by the Group are different from those for each of the other products produced by the Tongda Group, in particular (i) the industrial design involved; (ii) the degree of precision; and (iii) other specifications of the products. Accordingly, the Group and the Tongda Group apply different sets of machinery in their respective production processes.

Customers of the Group and the Tongda Group

The Directors confirm that both the Group and the Tongda Group employ and manage the sales teams independently. The sales department of the Group is independent from the sales department of the Tongda Group with independent customer lists and sales information. The Group negotiates and concludes sales contracts with its customers directly and delivers the products to customers independently from the Tongda Group. During the Track Record Period, no sales functions of the Group have been performed by the Tongda Group and the Group did not rely on the Tongda Group for the procurement of sales orders. As such, sales to customers (including those overlapping customers) are solicited separately by the Group and the Tongda Group.

Referral Customers, New Customers and Existing Customers

As advised by the Directors, among the Group's top five customers during the Track Record Period, Compal Electronics, Inc, Quanta Computer Inc. and Pegatron Corporation were major customers historically introduced by Tongda Shishi and/or Tongda Shenzhen (the "**Referral Customers**"). The Referral Customers previously purchased notebook and/or tablet casings from Tongda Shishi and/or Tongda Shenzhen. Following the establishment of the Group to take up the Spin-off Business, Tongda Shishi and Tongda Shenzhen gradually fade out of the Spin-off Business with an aim to focus on their own specialties, being the manufacturing of components for handsets (mainly for smartphones) and other electrical appliance products and manufacturing of ironware parts and communication facilities respectively. Despite that the Referral Customers were historically migrated from the Tongda Group, the Directors confirm that none of the purchase orders placed by the Referral Customers during the Track Record Period were referred by the Tongda Group. All sales contracts and sales orders were negotiated and concluded by the Group's sales team directly and independently. During the Track Record Period, the number of (i) Referral Customers was approximately 3, 3, 3 and 3; and (ii) total number of customers solicited by the Group itself was approximately 9, 13, 13 and 6, respectively.

Set out below is the composition of revenue generated by the Group during the Track Record Period from each of (i) Referral Customers; (ii) new customers solicited by the Group during the Track Record Period ("**New Customers**"); and (iii) existing customers historically solicited by the Group before the Track Record Period ("**Existing 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*	*%*
Referral Customers	325,645	86.5	382,928	90.6	376,511	81.2	226,832	88.0	310,637	88.4
New Customers	3,549	1.0	8,031	1.9	62,849	13.5	15,674	6.1	33,547	9.5
Existing Customers	47,100	12.5	31,706	7.5	24,577	5.3	15,300	5.9	7,333	2.1
Total	**376,294**	**100.0**	**422,665**	**100.0**	**463,937**	**100.0**	**257,806**	**100.0**	**351,517**	**100.0**

As shown in the above table, during the Track Record Period, the growth in the Group's business was mainly driven by the increasing trend of sales to Referral Customers and New Customers, and revenue generated from which accounted for approximately HK$329.2 million, HK$391.0 million, HK$439.4 million and HK$344.2 million, represented approximately 87.5%, 92.5%, 94.7% and 97.9% of the Group's total revenue respectively.

Having considered that (i) the Group has established a stable business relationship with the Referral Customers who consistently placed purchase orders with the Group directly; (ii) the Group was designated by brand owners as one of the suppliers in the list of qualified suppliers to be selected by the OEM customers which, to certain extent, accredited the production capacity and technical level of the Group; (iii) revenue generated from sales to New Customers shown a general increasing proportion of approximately 1.0%, 1.9%, 13.5% and 9.5% of the Group's total revenue during the Track Record Period; (iv) the years of business relationship for which the Referral Customers placed purchase orders directly ranged from approximately 3 to 5 years; and (v) the Group has consistently solicited new customers by itself during the Track Record Period, the Directors are of the view that recurring purchase from the Referral Customers and New Customers were resulted from their satisfaction of the Group's products and services, and therefore consider that the Group is able to solicit its customers and operate independently from the Tongda Group after listing. For details of Tongda Shishi and Tongda Shenzhen, please refer to the section headed "Relationship with the Tongda Group and connected persons — Companies owned by Tongda which were not included into the Group" in this prospectus.

Overlapping customers of the Group and the Tongda Group

Customers of the Group mainly comprise OEMs which manufacture notebooks, tablets and other smart devices while customers of the Tongda Group mainly comprise brand owners which manufacture set top boxes, handsets (mainly for smartphones) and electrical appliance. Most of the customers of the Group do not overlap with the customers of the Tongda Group. During the Track Record Period, the number of overlapping customers between the Group and the Tongda Group was approximately 3, 6, 9 and 7, respectively. The revenue generated from the sales of products by the Tongda Group to the customers, who also purchased products from the Group accounted for approximately 7.1%, 6.3%, 6.1% and 8.2% of the total revenue of the Tongda Group for the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively. The revenue generated from the sales of products by the Group to those overlapping customers accounted for approximately 50.2%, 91.4%, 81.9% and 91.8% of the total revenue of the Group for the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively. The overlapping customers include (i) Quanta Computer Inc.; (ii) Compal Electronics, Inc.; (iii) Lengda Technology (Hong Kong) Co., Ltd.; (iv) Pegatron Corporation; (v) LCFC (Hefei) Electronics Technology Co., Ltd.; and (vi) Dongguan Huabei Electronic Technology Co., Ltd., which are the five largest customers of the Group during the Track Record Period and sizable OEMs that produce various products for brand owners. The overlapping customers mainly purchase casings of set top boxes, handsets and electrical appliance produced by the Tongda Group and casings of notebook and tablet produced by the Group during the Track Record Period.

Amongst sales to the overlapping customers by the Tongda Group of approximately 7.1%, 6.3%, 6.1% and 8.2% of the total revenue as aforesaid, (i) sales related to the Spin-off Business accounted for approximately 3.2%, 0.1%, 0.0% and nil; whilst (ii) sales related to the casings of set top boxes, handsets and electrical appliance accounted for approximately 3.9%, 6.2%, 6.1% and 8.2% of the total revenue of the Tongda Group for the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively. The sales related to the Spin-off Business by the Tongda Group is of insignificant portion. Following the downsizing and subsequently, discontinuation of the Spin-off Business by Tongda Shishi and Tongda Shenzhen in September 2015 and April 2016, respectively, the Tongda Group had no longer solicited sales related to the Spin-off Business to the aforementioned overlapping customers. The operation of the Group remains unaffected where both the Tongda Group and the Group negotiated and concluded sales independently and directly with their respective customers (including those overlapping customers).

The five largest customers of the Group are sizable integrated OEMs engaged in the manufacturing of notebooks, tablets and other smart devices which may require notebook and tablet casings offered by the Group and casings of set top boxes, handsets (mainly for smartphones) and electrical appliance offered by the Tongda Group in the production of respective products. In view of the wide variety of products manufactured by these OEMs which inevitably coincided with the types of products manufactured by the Group and the Tongda Group respectively and the market domination of such sizable integrated OEMs, it is not surprising that the revenue generated by the Group from such overlapping customers is relatively high during the Track Record Period. Without taking into account the Spin-off Business undertaken by the Tongda Group during the Track Record Period, only Quanta Computer Inc. and Pegatron Corporation of the five largest customers of the Group would remain as overlapping customers which purchased handset casings (mainly for smartphone casings) from the Group and set top boxes casing from the Tongda Group respectively. Having considered that (i) the Tongda Group and the Group managed separate sales teams and negotiated and concluded sales independently and directly with their respective customers (including those overlapping customers); (ii) recurring purchase orders were placed by customers to the Group directly; (iii) the high proportion of the Group's revenue generated from overlapping customers mainly resulted from the wide range of products supplied to brand owners by the overlapping customers which are sizeable OEMs; and (iv) without taking into account the Spin-off Business undertaken by the Tongda Group which has been discontinued since April 2016, products purchased by the overlapping customers from the Tongda Group were unrelated to the Group's business in notebook and tablet casings business, the Directors are of the view that the Group solicited sales to customers (including those overlapping customers) on its own, and therefore did not rely on the Tongda Group for the procurement of any sales order.

While some of the overlapping customers are major customers to the Group, they are insignificant to the Tongda Group given the immaterial revenue contribution to the Tongda Group during the Track Record Period. The Directors consider that the Tongda Group principally solicits sales of casings of set top boxes, handsets (mainly for smartphones) and electrical appliances to brand owners while the Group principally solicits sales of notebook and tablet casings to OEMs. As such, the target customers of the Tongda Group and the Group are different.

Overlapping brand owners served by customers of the Group and the Tongda Group

The Tongda Group principally sells casings of set top boxes, handsets (mainly for smartphones) and electrical appliances to the overlapping brand owners while the Group principally sells notebook and tablet casings to overlapping brand owners served by OEMs and their target product segments are different. There were a total of approximately 9 overlapping brand owners served by the Tongda Group and the customers of the Group during the Track Record Period which include Brand A, Brand B, Brand D and Brand H. Sales made by the Tongda Group to the overlapping brand owners represented approximately 1.7%, 5.7%, 3.6% and 10.9% of the total revenue of the Tongda Group while sales made by the Group to the OEM customers which served the overlapping brand owners represented approximately 19.4%, 40.7%, 49.2% and 65.1% of the total revenue of the Group for the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively. These overlapping brand owners are mainly international brand owners which manufacture a wide variety of electronic devices. In view of the wide variety of products manufactured by these international brand owners which inevitably coincided with the types of products manufactured by the Group and the Tongda Group respectively and the potential market domination of such international brand owners, it is not surprising that the revenue generated by the Group from such international brand owners is relatively high during the Track Record Period. During the Track Record Period, the number of non-overlapping brand owners served by the customers of the Group was approximately 8, 11, 9 and 14, respectively. Generally, the brand owners designate several OEMs to supply their branded notebooks and tablets while the OEMs have full discretion to select their suppliers as long as they are qualified by the brand owners as second tier manufacturers.

Each of the Group and the Tongda Group has its own team of marketing and sales personnel which is responsible for closely monitoring markets in the respective segments and the operation of the Group and the Tongda Group are independent from each other, both historically and going forward. The contact personnel and departments of the customers of each of the Group and the Tongda Group (including those overlapping OEM customers) are separated for sales of their respective products. The Directors consider these existing arrangements can sufficiently ensure an independent access and management of customers between the Group and the Tongda Group. These arrangements will continue following the Spin-off and the Listing.

Having considered that (i) the high proportion of the Group's revenue generated from OEM customers which served the overlapping brand owners mainly resulted from the wide variety of electronic devices manufactured by the overlapping brand owners which are mainly international brand owners; (ii) the principal products provided by each of the Tongda Group and the Group directly and indirectly to the overlapping brand owners are different; (iii) each of the Group and the Tongda Group has its own team of marketing and sales personnel in the respective product segments; and (iv) the OEMs generally have full discretion to select their suppliers, the Directors consider that operation of the Group and the Tongda Group are independent from each other and the Group has the ability to manage its sales and marketing team and to solicit customers independently.

Basis of delineation of businesses of the Group and the Tongda Group

As the Group does not involve in any production of the Tongda Group's products, it is not expected that there will be any direct competition between the Group and the Tongda Group.

Notwithstanding that the Tongda Group also engaged in the Spin-off Business during the Track Record Period, given that (i) the Group and the Tongda Group employ and manage the sales teams independently and customers are solicited separately; (ii) the Group did not rely on the Tongda Group for the procurement of sales orders; (iii) the overlapping customers mainly purchase casings of set top boxes, handsets (mainly smartphones) and electrical appliance produced by the Tongda Group and casings of notebook and tablet produced by the Group during the Track Record Period; (iv) the overlapping customers are insignificant to the Tongda Group given the immaterial revenue contribution to the Tongda Group during the Track Record Period; (v) the Tongda Group principally solicits sales of casings of set top boxes, handsets (mainly smartphones) and electrical appliances to brand owners while the Group principally solicits sales of notebook and tablet casings to OEMs and their target customers are different; and (vi) the contact personnel and departments of the customers of each of the Group and the Tongda Group (including those overlapping OEM customers) are separated, the Directors are of the view that the business operation of the Group and the Tongda Group are independent from each other historically and is expected to continue after the Group's separate Listing.

Furthermore, since the sales orders were historically negotiated and concluded independently by the Group and there is no material change in the pricing and principal terms of sales orders and production requests placed by major customers, the Directors believe that the current pricing and payment terms with the Group's existing customers would remain comparable going forward. For details of the pricing policy and salient terms of typical sales currently adopted by the Group, please refer to the section headed "Business — Pricing policy" and "Business — Salient terms of a typical sales transaction" respectively in this prospectus. For the details of the subsidiaries of Tongda engaged in the Spin-off Business during the Track Record Period, please refer to the section headed "Relationship with the Tongda Group and connected persons — Companies owned by Tongda which were not included into the Group" in this prospectus.

HANDSET CASING BUSINESS OF TONGDA WHICH WAS NOT INCLUDED INTO THE GROUP

The table below illustrates the key differences between the Group's business and the Tongda Group's Handset Casings Business:

Major aspects	Handset Casings Business	The Group's business
(i) Production process and technology		
– Production facilities	– located in Shenzhen, Xiamen and Shishi, the PRC.	– located in Changshu.
– Preparation of mould	– moulding machines are specialised to produce smaller moulds with higher precision.	– moulding machines are specialised to produce larger moulds with lower precision.
– Injection moulding	– generally requires the use of automatic moulding machines with load size ranging from 80 tons to 110 tons; and	– generally requires the use of automatic moulding machines with load size ranging from 350 tons to 550 tons for key components of notebook casings and 250 tons for key components of tablet casings, respectively; and
	– shorter injection time required.	– longer injection time required.
– Surface decoration	– generally involves simpler decorative procedures such as spray painting, anodising and polishing, etc.	– generally involves more complex decorative procedures such as IML, LMF and IMR, etc.
– Assembly of components	– generally requires more extensive use of automatic machines as the accessories are smaller in size where manual assembly is not desirable.	– generally more labour-intensive as the accessories are larger in size where manual assembly is more cost effective.
– Research and development functions on the production workflow	– separate team is established to monitor the production workflow of the Handset Casings Business and upgrade the overall integrating capacity of the handset operation.	– separate team is established to monitor the production workflow of the Group's business and conduct research and development of diverse application of decoration technology for the production of notebook and tablet casings.

Major aspects	Handset Casings Business	The Group's business
(ii) Customers and market segmentation	– mainly comprise domestic and international brand owners which are engaged in the manufacture and sales of handsets (mainly for smartphones).	– mainly comprise OEMs which are engaged in the manufacture of notebooks and tablets.
(iii) Raw materials and suppliers	– major raw materials used include polyphenylene sulphide, PC, ABS, stainless steel and aluminium metal sheets with higher strength and stiffness; and	– major raw materials used include PC, ABS and aluminium metal sheets with lower strength and stiffness; and
	– origins of the raw materials are mainly China and Japan.	– origins of the raw materials are mainly China, Japan and Korea.
(iv) Function of the product	– palm-sized device mainly for communication;	– relatively larger in size mainly for work and amusement;
	– market standard of smoother surface and to accommodate compact electronics within smaller space; and	– device with more space to accommodate electronics; and
	– lower tolerance to variance for casings.	– relatively lower precision for its casings.

Further to the above table, the Directors consider that handset and notebook and/or tablets have the following differences in terms of product function:

(i) Market position

Handset mainly performs its function as a personal communication device where most users consider it a daily necessity and use it constantly, virtually anywhere and anytime. In contrast, notebook and tablet are closer substitute to each other, performing similar function as a content consumption device or desktop replacement.

(ii) Application

Although there are some overlapping features of handset and notebook/tablet where both of them can be used for work and amusement, users tend to apply the devices differently. For instance, users tend not to carry out productive activities such as word and data processing for long hours with a handset or make phone calls with a tablet. The difference in design, size and connectivity of the devices affects the way users applied them.

In light of the differences in product function mentioned above where handset is positioned as a more personal, communication-first, glance-and-put away device while notebook/tablet is positioned as a content consumption and productivity device, the Directors are of the view that the products are targeting separate markets driven by different demand. As such, the demand of the business-use notebooks and tablets are mainly driven by business enterprises while the demand of the personal handsets is mainly driven by the demand from consumer market.

Based on the facts that (i) the historical operations of the Group's business and the Handset Casings Business were separately monitored and reviewed by the management of Tongda; (ii) the difference between the Group's business and the Handset Casings Business in terms of production process and technology, customers and market segmentation, raw materials and suppliers and product function as set out in the above; and (iii) the different requirements for handsets (mainly smartphones) and notebook/tablet by end users that create distinct features for the respective products as well as different market demand, the Directors are of the view that there is a clear business delineation between the Group's business and the Handset Casings Business.

COMPANIES OWNED BY TONGDA WHICH WERE NOT INCLUDED INTO THE GROUP

Apart from Tongda Suzhou, two other subsidiaries of Tongda, namely Tongda Shishi and Tongda Shenzhen (the "**Tongda Subsidiaries**"), were also engaged in the Spin-off Business during the Track Record Period. However, both of them were not included into the Group and will not form part of the Group after the Spin-off and the Listing. Details of such companies are as follows:

(i) Tongda Shishi

Tongda Shishi is a limited liability company established in the PRC on 12 February 1993. As at the Latest Practicable Date, Tongda Shishi had a registered capital of HK$340,000,000 and is a wholly-owned subsidiary of Tongda. Since its incorporation, the board of directors of Tongda Shishi was composed of four directors, namely Mr. Wong Ah Yeung, Mr. Wong Ah Yu, Mr. Wang Ya Hua and Mr. Wang Ya Nan. Since March 2015 and up to the Latest Practicable Date, Mr. Wong Ah Yu was the only director of Tongda Shishi. Tongda Shishi principally manufactures and sells accessories for handsets (mainly smartphones) and electrical appliance products such as panels and casings of air-conditioners, refrigerators, washing machines and rice cookers. As the core production base of handset metal casings, Tongda Shishi aims to specialise in the manufacturing of components for handsets and other electrical appliance products which represent the core business of Tongda Shishi, Tongda Shishi has discontinued its Spin-off Business and devoted resources to the handset and electronic appliance casings business.

(ii) Tongda Shenzhen

Tongda Shenzhen is a limited liability company established in the PRC on 11 April 2002. As at the Latest Practicable Date, Tongda Shenzhen had a registered capital of HK$150,000,000 and is a wholly-owned subsidiary of Tongda. Since its incorporation and up to the Latest Practicable Date, the board of directors of Tongda Shenzhen was composed of three directors, namely Mr. Wong Ah Yeung, Mr. Wong Ah Yu and Mr. Wang Ya Nan. Tongda Shenzhen principally manufactures and sells digital satellite television receivers and set top boxes. With an aim to specialise in the manufacturing of ironware parts and communication facilities which represent the core business of Tongda Shenzhen, Tongda Shenzhen has discontinued its Spin-off Business and devoted resources to its core businesses.

Prior to the discontinuation of the Spin-off Business of the Tongda Subsidiaries, (i) Tongda Shishi's Spin-off Business recorded an unaudited profit of approximately HK$31.4 million, HK$2.5 million and nil and unaudited revenue of approximately HK$161.0 million, HK$17.3 million and nil for each of the three years ended 31 December 2016 respectively; and (ii) Tongda Shenzhen's Spin-off Business recorded an unaudited profit of approximately HK$5.9 million and HK$0.8 million, and an unaudited loss of approximately HK$0.7 million and unaudited revenue of approximately HK$104.7 million, HK$40.3 million and HK$5.0 million for each of the three years ended 31 December 2016 respectively. After the discontinuation of the Spin-off Business of the Tongda Subsidiaries, the Group has not taken up any of their Spin-off Business nor production machines and equipment.

As confirmed by the management of Tongda, it is submitted that each of Tongda Shishi and Tongda Shenzhen (a) has no material outstanding commitment and liability; (b) is/was not involved in any material non-compliance and litigation; and (c) has complied with all applicable laws and regulations, in relation to the Spin-off Business during the Track Record Period.

Contribution of Spin-off Business of Tongda Subsidiaries to the Tongda Group

Extracted based on their respective management accounts, set out below is the contribution on the combined unaudited (i) revenue; and (ii) profit of the Spin-off Business of the Tongda Subsidiaries to the total revenue and profit of Tongda Group during the three years ended 31 December 2016:

	Year ended 31 December					
	2014		**2015**		**2016**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
(i) Revenue						
Spin-off Business						
– Tongda Shishi	160,976	3.6	17,341	0.3	–	–
– Tongda Shenzhen	104,724	2.4	40,335	0.7	4,969	0.0
Subtotal	*265,700*	*6.0*	*57,676*	*1.0*	*4,969*	*0.0*
Remaining Business	4,150,678	94.0	5,593,962	99.0	7,355,507	100.0
Tongda Group total	**4,416,378**	**100.0**	**5,651,638**	**100.0**	**7,360,476**	**100.0**
(ii) Profit/(loss)						
Spin-off Business						
– Tongda Shishi	31,423	6.1	2,480	0.4	–	–
– Tongda Shenzhen	5,860	1.1	780	0.1	(715)	0.0
Subtotal	*37,282*	*7.2*	*3,852*	*0.5*	*(715)*	*0.0*
Remaining Business	482,080	92.8	703,914	99.5	1,000,224	100.0
Tongda Group total	**519,362**	**100.0**	**707,766**	**100.0**	**999,509**	**100.0**

Prior to discontinuing such business, the Tongda Subsidiaries' Spin-off Business recorded a combined unaudited revenue of approximately HK$265.7 million and combined unaudited profit of approximately HK$37.3 million for the year ended 31 December 2014, while the Group recorded revenue of approximately HK$376.3 million and profit of approximately HK$26.0 million. The Tongda Subsidiaries' Spin-off Business appeared to be more profitable than that of the Group, which was mainly due to (i) the sharing of operating expenses with the Remaining Businesses; (ii) the lower concessionary tax rate enjoyed by the Tongda Subsidiaries; and (iii) the time lag in organic business growth of the Group due to its latter establishment.

(i) Sharing of operating expenses with the Remaining Businesses

The unaudited financial information of the Tongda Subsidiaries was prepared based on their management accounts, with operating expenses which include, among others, selling and administrative expenses, being allocated to the Tongda Subsidiaries in proportion to the respective revenue generated from each of the Spin-off Business and the Remaining Businesses. Set out below the total revenue breakdown for the Tongda Subsidiaries during the year ended 31 December 2014:

	Year ended 31 December 2014					
	Spin-off Business		**Remaining Business**		**Total**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
(i) Revenue from						
– Tongda Shishi	160,976	10.4	1,383,106	89.6	1,544,082	100.0
– Tongda Shenzhen	104,724	11.3	824,803	88.7	929,527	100.0
(ii) Profit from						
– Tongda Shishi	31,423	10.6	263,741	89.4	295,164	100.0
– Tongda Shenzhen	5,860	21.3	21,680	78.7	27,540	100.0

As shown in the above table, the Spin-off Business contributed to only (i) approximately 10.4% and 11.3% of the total revenue; and (ii) approximately 10.6% and 21.3% of the total profit of Tongda Shishi and Tongda Shenzhen, respectively for the year ended 31 December 2014. As such, due to the relative larger business size of the Tongda Subsidiaries aggregated as a whole, the Tongda Subsidiaries' Spin-off Business enjoyed higher degree of economies of scale as compared to the Group. For instance, the Tongda Subsidiaries' Spin-off Business absorbed less rental expenses, staff costs, office expenses and other operating expenses where the Group absorbed the operating expenses in full.

(ii) Lower concessionary tax rate enjoyed by the Tongda Subsidiaries

During the year ended 31 December 2014, the Tongda Subsidiaries were awarded as High and New Technology Enterprises and their Spin-off Business enjoyed a lower concessionary tax rate of 15% while the Group was subjected to tax rate of 25%. Set out below is the breakdown of profit before tax of the Tongda Subsidiaries' Spin-off Business and the Group for the year ended 31 December 2014, calculated at their original tax rates of 15% and 25% respectively:

	Year ended 31 December 2014	
	Tongda Subsidiaries' Spin-off Business	**The Group**
	HK$'000	*HK$'000*
Profit for the year	37,282	26,032
Tax expenses	4,399	9,465
Profit before tax	41,681	35,497

As shown in the above table, if the tax effect resulted from the different tax rates is eliminated, the profit before tax for the year ended 31 December 2014 amount to approximately HK$41.7 million and HK$35.5 million from the Tongda Subsidiaries' Spin-off Business and the Group, respectively, representing a difference of approximately HK$6.2 million.

In order to be accredited as a high and new technology enterprise, enterprises are required to fulfil a set of requirements under the Measures for the Accreditation of High and New Technology Enterprises《高新技術企業認定管理辦法》which was effective in 2008, subject to amendments issued by the relevant PRC government departments from time to time. Back in 2014, save for one particular requirement for the proportion of number of employees with certain level of education background, the Group has fulfilled all other requirements for its eligibility to apply for high and new technology enterprise status. As such requirement was then removed in the Guidelines for the Accreditation of High and New Technology Enterprises《高新技術企業認定管理工作指引》since 2016, the Group subsequently applied for and was accredited as a high and new technology enterprise in 2016.

Under the relevant measures and guidelines, both the Remaining Businesses and the Spin-off Business are within the scope of high-tech industries which are eligible to apply for high and new technology enterprise status. While all the requirements were fulfilled by the Tongda Subsidiaries when they applied for the status of high and new technology enterprise as separate entities, such status was granted to each of the Tongda Subsidiaries.

(iii) Time lag for organic business growth of the Group

Unlike the Tongda Subsidiaries which commenced their Spin-off Business in 2008, Tongda Suzhou was incorporated in March 2010 and was still in the process of building up its customer base and refining its operation workflow during the year ended 31 December 2014. In view of the increasing revenue recorded by the Group during the Track Record Period, the Directors believe that the Group takes transitional time for organic growth and business expansion to achieve a larger scale of operation.

Rationale for discontinuing the Spin-off Business of the Tongda Subsidiaries

Notwithstanding that the Group and the Tongda Subsidiaries have separately been engaged in the Spin-off Business, having considered that (i) the different business focus and independent operations between the Tongda Subsidiaries and the Group; (ii) the fact that the Spin-off Business is not a core business to the Tongda Subsidiaries; (iii) except for the insignificant related party transactions with the Group as disclosed in the section headed "Financial information — Related party transactions", the Tongda Subsidiaries did not have any operational and financial relationships with the Group; (iv) discontinuity of the Spin-off Business of the Tongda Subsidiaries in April 2016, the Directors are of the view that the Tongda Subsidiaries shall be excluded from the Group.

The Tongda Subsidiaries are located in the Southern region of the PRC and have been principally operating their respective Remaining Businesses, which include (i) the manufacture and sales of handsets and electrical appliance casings for Tongda Shishi; and (ii) the manufacture and sales of ironware parts and communication facilities for Tongda Shenzhen.

To the best of knowledge, information and belief of the management of Tongda having made all reasonable enquiries, and as supported by the CRI Report, all top OEMs of the Spin-off Business set up their factories in Yangtze River Delta Economic Zone ("**YRD**"), in particular, Kunshan and Songjiang are the main notebook production and assembly centres in the PRC. During the Track Record Period, the major customers of the Tongda Subsidiaries' Spin-off Business were located in YRD and the products were transported and delivered to YRD region. Following the establishment of Tongda Suzhou in 2010, the management of Tongda believed that it would be in the interest of Tongda as a whole to (i) maintain Tongda Suzhou as the principal operating base of the Spin-off Business, which is located in close proximity to the target and major customers of the Spin-off Business; (ii) attain economies of scale by having Tongda Suzhou and the Tongda Subsidiaries specialising in their own core businesses. Accordingly, the Tongda Subsidiaries began to downsize and discontinue their Spin-off Business during the Track Record Period.

Given that the location of the Group in Changshu enjoys a geographical advantage to approach the top OEMs located in YRD, the Directors are of the view that the discontinuing of the Spin-off Business of the Tongda Subsidiaries instead of injecting the Tongda Subsidiaries into the Group is more reasonable and that the Spin-off Business of the Group is sustainable from the market perspective.

Prior to the discontinuing of such business, the Tongda Subsidiaries' Spin-off Business had overlapping customers with the Group. During the three years ended 31 December 2016, the number of overlapping customers between the Tongda Subsidiaries' Spin-off Business and the Group were approximately 4, 2 and nil, which (i) accounted for approximately HK$82.5 million, HK$4.1 million and nil, representing approximately 31.1%, 7.4% and nil of the total revenue of Tongda Subsidiaries' Spin-off Business; and (ii) accounted for approximately HK$186.4 million, HK$0.8 million and nil, representing approximately 49.5%, 0.2% and nil of the total revenue of the Group. Such seemingly considerable revenue contribution of overlapping customers in 2014 was mainly attributable to a single customer, Quanta, which was also a Referral Customer of the Group in 2013. According to the management of Tongda, among the revenue contributed by Quanta to the

Tongda Subsidiaries' Spin-off Business in 2014, the majority of which represented revenue so recognised upon the delivery of casings in respect of unfinished projects with production cycle of around 1 to 2 years of such customers in previous years. On the other hand, Quanta placed recurring and increased purchase in respect of new projects with the Group and became its top customer in 2014. As such, the Directors consider that despite the extent of overlapping customers in 2014, the Group and the Tongda Subsidiaries did not have any significant operational relationships.

The management of Tongda considered that it is commercially sound and reasonable for downsizing Tongda Subsidiaries' Spin-off Business rather than injecting such business into Tongda Suzhou based on the following factors:

(a) Geographical location of major customers of the Spin-off Business

The factories of the major customers of the Spin-off Business, who are top OEMs, have always been located in YRD region and are much closer to Tongda Suzhou than the Tongda Subsidaries. During the Track Record Period, the products purchased by such customers from the Tongda Subsidiaries were mainly transported and delivered to YRD region. Therefore it is commercially reasonable for such customers to conduct business with Tongda Suzhou for facilitating their business operations by shortening transportation time and saving relevant costs.

(b) Expected deteriorating profitability of the Tongda Subsidiaries' Spin-off Business

In 2014, the Tongda Subsidiaries' Spin-off Business was profitable mainly due to the revenue contributed by two Referral Customers, Quanta and Pegatron Corporation, representing approximately 42% of its total revenue. Such revenue from the Referral Customers was recognised upon the delivery of casings in respect of unfinished projects in previous years. The remaining revenue was contributed by projects of smaller scale from over 30 customers. Given that fixed operating costs will be incurred during the production process, the profitability of manufacturing industries largely depends on the sales volume. As such, should the Tongda Subsidiaries' Spin-off Business be injected into Tongda Suzhou, its profitability is expected to be deteriorated in the absence of revenue from the Referral Customers going forward.

Reconciliation of disclosure in Tongda's Annual Report 2016

As disclosed in the section "Management Discussion and Analysis — Notebook computers" of Tongda's annual report for the year ended 31 December 2016 ("**Annual Report 2016**"), the revenue from its notebook computer business decreased for the year, while this prospectus discloses that revenue generated by the notebook casings business of the Group increased over the same period. Such reconciliation of disclosure mainly relates to the facts that (i) the decrease in revenue generated from the Tongda Subsidiaries' Spin-off Business of approximately HK$52.7 million due to the downsizing and discontinuation of such business was greater than (ii) the increase in the Group's revenue of approximately HK$41.3 million due to the business growth during the year ended 31 December 2016. The overall decrease in revenue of Tongda's notebook casing business of approximately HK$11.4 million during 2016 was due to the loss of business by the Tongda Subsidiaries which could not be fully absorbed by the Group and the Directors believe that the Group took transitional time for organic growth and business expansion to achieve a larger scale of operation.

INDEPENDENCE FROM THE TONGDA GROUP

The Directors consider that the Group operates independently from the Tongda Group following completion of the Spin-off and the Listing in the following aspects:

Management independence

The Company and Tongda have separate boards of directors that function independently. The following table sets forth the directorship of the Company and Tongda following completion of the Spin-off and the Listing:

	The Company	Tongda
Executive directors	Mr. Wong Ming Li	Mr. Wang Ya Nan *(Chairman)*
	Mr. Wong Ah Yu	Mr. Wang Ya Hua *(Vice Chairman)*
	Mr. Wang Ming Zhi	Mr. Wong Ah Yeung Mr. Choi Wai Sang Mr. Wang Ming Che
Non-executive director	Mr. Wang Ya Nan *(Chairman)*	Mr. Wong Ah Yu *(note)*
Independent non-executive directors	Ms. Leung Pik Kwan	Dr. Yu Sun Say
	Mr. Sun Wai Hong	Mr. Cheung Wah Fung, Christopher
	Mr. Wu Kin San Alfred	Mr. Ting Leung Huel Stephen

Note: Mr. Wong Ah Yu will be re-designated from an executive director of Tongda to a non-executive director of Tongda before completion of the Spin-off.

The overlapping directors as between Tongda and the Company are Mr. Wang Ya Nan and Mr. Wong Ah Yu. Mr. Wang Ya Nan will only act as a non-executive Director and will not be involved in the day-to-day operation of the Group. Mr. Wong Ah Yu will be re-designated from an executive director of Tongda to a non-executive director of Tongda before completion of the Spin-off. The Group will be managed by a separate management team with senior management members who are independent from the Tongda Group and with relevant industry and/or operational background and experience of the Spin-off Business.

The Directors submit that in the event of any actual or potential conflict of interest between the Controlling Shareholders and the Group, the Director(s) who is/are also the Controlling Shareholder(s) will abstain from voting on the relevant board resolution and the other Directors will vote and decide on the matter.

The independent non-executive Directors are selected on the following basis:

(i) Ms. Leung Pik Kwan has extensive audit experience on various public and private manufacturing companies during her employments with two international accounting firms. The Directors consider that Ms. Leung possesses the relevant knowledge and industry exposure to provide supervision and advice in relation to the financial management of the Group;

(ii) Mr. Sun Wai Hong is a certified public accountant and an entrepreneur of a technology company. The Directors consider that Mr. Sun has knowledge and experience in establishing and managing a growing enterprise and is able to provide insight to the business development of the Group from an entrepreneurial perspective; and

(iii) Mr. Wu Kin San Alfred has extensive experience in investment banking and is familiar with the operation of capital markets. The Directors consider that Mr. Wu can provide supervision and advice in relation to corporate finance activities of the Group upon Listing.

While the independent non-executive Directors' knowledge of the Group would be less than that of the executive Directors who are involved in the day-to-day operations of the Group, the expertise and experience possessed by the independent non-executive Directors, particularly in the area of financial management, business development and capital market, can be complementary to the experience possessed by the executive Directors with an aim to safeguard the interest of the Company's shareholders. Moreover, the independent non-executive Directors would dedicate their time and efforts continuously to understand the Group's business, its competitors and the environment in which it operates upon Listing in order to sufficiently and diligently discharge their duties and act in the interest of the Company's shareholders as a whole.

The table below sets forth the senior management teams of the Group and the Tongda Group upon the Listing:

	The Group	The Tongda Group
Administration	Mr. Wong Ming Li	Mr. Wong Ming Sik Mr. Wong Ming Yuet Mr. Wang Hung Man Mr. Ye Jin Huang Mr. Lu Chao Hui
Production	Mr. Guo Qi Cai Mr. Ba Ping An	Mr. Zheng Yu Mr. Zheng Ren Hao Mr. You Jun Feng Mr. Xiao Rui Hai
Sales and marketing	Mr. Liu Qiang	Mr. Hui Wai Man, Anthony Mr. Pan Jian Jun Mr. Zhang Jing Guo Mr. Zhou Mao Xin
Finance	Mr. Wang Ming Zhi	Ms. Chan Sze Man Ms. Liu Feng
Company secretary	Ms. Lam Siu Wa	Ms. Chan Sze Man

As illustrated above, there is no overlapping in the senior management between the Group and the Tongda Group. All members of the senior management team and other employees of the Group and the Tongda Group are employed separately.

Operational independence

Separate administrative functions

The Directors confirm that the responsible officers in respect of the key administrative functions of the Group will be directly employed by the Group without reliance on the support of the Tongda Group. Furthermore, the principal place of business of the Group will be situated at a location separate from the Tongda Group, and the back-office supporting services including but not limited to accounting, corporate secretarial, compliance, human resources management and information technology services, will be handled by a team of experienced staff employed by the Group. Therefore, the Group will, on completion of the Spin-off, be administratively independent from the Tongda Group.

Independent supply of raw materials

In view of the promising quality of the raw materials supplied by multinational corporations, the Group and the Tongda Group sourced from common suppliers that provide a wide variety of chemicals and raw materials. Purchase from overlapping suppliers accounted for (i) approximately 6.6%, 2.5%, 1.9% and 2.1% of the total cost of sales of the Tongda Group; and (ii) 12.6%, 1.1%, 3.5% and 18.0% of the Group's total cost of sales, for the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively. Notwithstanding that some of the raw materials used in production are common, the distinctive combination of raw materials tailored for the specifications and features of different products differentiate the Spin-off Business from each of the Remaining Businesses undertaken by the Tongda Group. The Company and the Tongda Group have their own procurement teams and negotiate procurement independently and directly with their respective suppliers (including those overlapping suppliers) historically and going forward.

Continuing connected transactions

Following the Listing, the Group will have transactions with the Tongda Group which will constitute continuing connected transactions for the Company. The Group will lease the Hong Kong Office from the Tongda Group. Further information on which is set forth in the section headed "Connected Transactions" of this prospectus.

After considering the nature and materiality of the Hong Kong Office Lease to both the Tongda Group and the Group, the Directors are of the view and the Sponsor concurs that (i) the areas leased by the Group under the Hong Kong Office Lease are separately identifiable from the premises owned by the Tongda Group; and (ii) the lease of office in Hong Kong is for performing administrative functions such as accounting, corporate secretarial and compliance in Hong Kong. Accordingly, the Directors consider that the Hong Kong Office Lease will not have material impact on the independent operation of the Group and will not impair the delineation of the businesses of the Group and the Tongda Group.

On 8 February 2018, the Company entered into the Hong Kong Office Lease with Tongda Group International, a subsidiary of Tongda, under which the Hong Kong Office will be leased to the Company for a term from the Listing Date to 31 December 2020 at a monthly rental of HK$11,000. The Hong Kong Office Lease was negotiated and entered into on an arm's length basis and both the Tongda Group and the Group will comply with the relevant requirements under Chapter 14A of the Listing Rules and all applicable rules and regulations so as to safeguard the interests of the respective minority shareholders of the Tongda Group and the Group.

Financial independence

The Group has an independent financial system and finance team which is responsible for its own treasury functions.

As at 31 August 2017, the amounts due to the Remaining Group by the Group amounted to approximately HK$43.8 million and the Listing expenses of approximately HK$8.5 million yet to be recognised and paid by the Remaining Group on behalf of the Group, such aggregated balances has been settled before completion of the Spin-off and the Listing by capitalisation of HK$45.0 million and repayment of the remaining by bank borrowings.

In addition, there are currently three credit facilities provided by three banks to Tongda Suzhou which are guaranteed by Tongda. The total amount drawn from the facilities by Tongda Suzhou was approximately HK$250.2 million as at 31 December 2017. With respect to the guarantee provided by Tongda for the credit facilities utilised by Tongda Suzhou, the banks agreed in principle and written confirmations have been obtained by the Company that the guarantee provided by Tongda will be released and replaced by the corporate guarantee provided by Tongda Suzhou subject to and upon, among other things, the completion of the Spin-off and the Listing. The Directors do not foresee any difficulty in obtaining bank facilities in similar term and hence are of the view that the Group will not be dependent on the Tongda Group and will be financially independent of the Tongda Group.

DEED OF NON-COMPETITION

The Controlling Shareholders have entered into the Deed of Non-competition in favour of the Company (for itself and as trustee of the subsidiaries of the Company), pursuant to which the Controlling Shareholders have jointly and severally, irrevocably and unconditionally undertaken to and covenanted with the Company (for itself and for the benefit of the subsidiaries of the Company) that during the continuation of the Deed of Non-competition it or he would not, and would procure that its or his close associates (other than any member of the Tongda Group and the Group) would not, whether on its or his own account or in conjunction with or on behalf of any person, firm or company, whether directly or indirectly, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by the Group (including but not limited to the notebook and tablet casings manufacturing business, to be more particularly described or contemplated in this prospectus), in the PRC and any other country or jurisdiction to which the Group provides such goods and/or in which any member of the Group carries on such business from time to time. Such non-competition undertakings do not apply to:

(i) any interests in the shares of any member of the Tongda Group and the Group; or

(ii) interests in the shares of a company (other than Tongda and the Company) whose shares are listed on a recognised stock exchange provided that:

    (a) any restricted business referred to in the above conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated revenue or assets, as shown in that company's latest audited accounts; or

    (b) the total number of the shares held by the Controlling Shareholders and/or their respective close associates in aggregate does not exceed 10% of the issued shares of that class of the company in question and such Controlling Shareholders and/or their respective close associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by the Controlling Shareholders and their respective close associates in aggregate; or

(c) the Controlling Shareholders and/or their respective close associates do not have the control over the board of such company.

The Deed of Non-competition shall take effect upon Listing and shall expire on the earlier of:

(a) the day on which the Shares cease to be listed on Main Board of the Stock Exchange or other recognised stock exchange; or

(b) the day on which the Controlling Shareholders and his/its close associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued share capital of the Company directly or indirectly or cease to be deemed as the Controlling Shareholders and do not have power to control the Board or there is at least one other independent Shareholder other than the Controlling Shareholders and his/its close associates holding more shares than the Controlling Shareholders and his/its close associates taken together.

Pursuant to the Deed of Non-competition, each of the Controlling Shareholders has undertaken that if each of the Controlling Shareholders and/or any of his/its close associates (other than any member of the Tongda Group and the Group) is offered or becomes aware of any project or new business opportunity that relates to the restricted business referred to in the above, whether directly or indirectly, he/it shall (i) promptly within ten Business Days notify the Company in writing of such opportunity and provide such information as is reasonably required by the Company in order to enable the Company to come to an informed assessment of such opportunity; and (ii) use his/its best endeavours to procure that such opportunity is offered to the Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its close associates (other than any member of the Tongda Group and the Group).

All of the Directors (excluding those who is/are interested in the new business opportunity and has/have conflict of interests with the Company) will review such opportunity and decide whether to invest in such opportunity. If the Group has not given written notice of its desire to invest in such opportunity or has given written notice denying such opportunity within thirty (30) Business Days of receipt of notice from the Controlling Shareholders, the Controlling Shareholders and/or his/its close associates (other than any member of the Tongda Group and the Group) shall be permitted to invest in or participate in such opportunity on his/its own accord. With respect to the abovementioned thirty (30) Business Days period, the Directors consider that such period is adequate for the Company to assess any new business opportunity. In the event that the Company requires additional time to assess such opportunity, the Company may give a written notice to the Controlling Shareholders during the abovementioned thirty (30) Business Days period and the Controlling Shareholders agree to extend the period to a maximum of sixty (60) Business Days.

NON-DISPOSAL UNDERTAKING TO THE COMPANY

The Controlling Shareholders, have jointly, severally and voluntarily agreed and undertaken with the Company that, except pursuant to the Spin-off and the Listing or waiver granted by the independent non-executive Directors they will not, and will procure that none of their relevant registered holder(s) and associates will,

(a) at any time during the First Lock-up period:

(i) 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, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of the share or debt capital or other securities of the Company or any interest therein (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 capital or securities or any interest therein) whether now owned or hereinafter acquired, directly or indirectly by any of the Controlling Shareholders (including holding as a custodian) or with respect to which any of the Controlling Shareholders has beneficial interest; 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 the shares or other any such capital or securities or any interest therein; or

(iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

(iv) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraph (i) or (ii) or (iii) above, whether any such transaction described in paragraph (i) or (ii) or (iii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise;

(b) at any time during the 30-month Lock-up Period, enter into any of the foregoing transactions in paragraphs (a)(i) or (a)(ii) or (a)(iii) above if, immediately following such transaction, it will cease to be a controlling shareholder of the Company or would together with the other Controlling Shareholders cease to be controlling shareholders of the Company; and

(c) during the 30-month Lock-up Period, in the event that any of the Controlling Shareholders enters or agrees or contracts to or publicly announce an intention to enter into the foregoing transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of the Company.

THE GROUP'S RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Under the Listing Rules, a controlling shareholder is defined as any person who is or group of persons who are together entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of the issuer or who is or are in a position to control the composition of a majority of the board of directors of the issuer.

Immediately following completion of the Tongda Distribution and the Share Offer (taking no account of any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), the Company will be owned as to approximately 31.96% by the Controlling Shareholders (as to approximately 5.10%, 1.21%, 1.58%, 1.28%, 18.88% and 3.91% by Mr. Wang Ya Nan, Mr. Wang Ya Hua, Mr. Wong Ah Yeung, Mr. Wong Ah Yu, Landmark Worldwide Holdings Limited and E-Growth Resources Limited respectively) who are together entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of the Company.

Landmark Worldwide Holdings Limited, being the single largest shareholder of the Company and a Substantial Shareholder, is beneficially owned as to 25% by Mr. Wong Ah Yeung, 25% by Mr. Wong Ah Yu, 25% by Mr. Wang Ya Hua and 25% by Mr. Wang Ya Nan. On the basis that Mr. Wong Ah Yeung, Mr. Wong Ah Yu, Mr. Wang Ya Hua and Mr. Wang Ya Nan have decided to restrict their ability to exercise direct control over the Company by holding their interests through a common investment holding company, namely Landmark Worldwide Holdings Limited, it is presumed that Mr. Wong Ah Yeung, Mr. Wong Ah Yu, Mr. Wang Ya Hua and Mr. Wang Ya Nan to be a group of Controlling Shareholders.

Mr. Wong Ah Yeung, Mr. Wong Ah Yu, Mr. Wang Ya Hua and Mr. Wang Ya Nan are also presumed to be a group of controlling shareholders by virtue of their relationship of being brothers. The relationships among the Controlling Shareholders are as follows:

(a) Mr. Wang Ya Nan is a non-executive Director, the Chairman of the Board and the younger brother of Mr. Wong Ah Yeung, Mr. Wong Ah Yu and Mr. Wang Ya Hua;

(b) Mr. Wang Ya Hua is the elder brother of Mr. Wang Ya Nan and the younger brother of Mr. Wong Ah Yeung and Mr. Wong Ah Yu;

(c) Mr. Wong Ah Yeung is the elder brother of Mr. Wong Ah Yu, Mr. Wang Ya Hua and Mr. Wang Ya Nan;

(d) Mr. Wong Ah Yu is an executive Director and the younger brother of Mr. Wong Ah Yeung and the elder brother of Mr. Wang Ya Hua and Mr. Wang Ya Nan;

(e) Landmark Worldwide Holdings Limited is beneficially owned as to 25% by Mr. Wong Ah Yeung, 25% by Mr. Wong Ah Yu, 25% by Mr. Wang Ya Hua and 25% by Mr. Wang Ya Nan; and

(f) E-Growth Resources Limited is wholly and beneficially owned by Mr. Wang Ya Nan.

Therefore, Mr. Wong Ah Yeung, Mr. Wong Ah Yu, Mr. Wang Ya Hua, Mr. Wang Ya Nan, Landmark Worldwide Holdings Limited and E-Growth Resources Limited are collectively the Controlling Shareholders.

So far as the Directors are aware, immediately following completion of the Tongda Distribution and the Share Offer (taking no account of any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), the following persons are expected to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the company or who is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group:

Name of interested party	Capacity/ Nature of interest	Number of Shares *(Note 1)*	Approximate percentage of interest in the Company
Landmark Worldwide Holdings Limited	Beneficial owner *(Notes 2, 3, 4, 5 & 6)*	35,712,250 (L)	18.88%
Mr. Wang Ya Nan	Beneficial owner	9,653,000 (L)	5.10%
	Interest of controlled corporation *(Note 7)*	7,400,000 (L)	3.91%
Mr. Wang Ya Hua	Beneficial owner	2,280,500 (L)	1.21%
Mr. Wong Ah Yeung	Beneficial owner	2,982,500 (L)	1.58%
Mr. Wong Ah Yu	Beneficial owner	2,411,500 (L)	1.28%

Notes:

1. The letter "L" denotes a long position in the Shares.

2. Landmark Worldwide Holdings Limited is beneficially owned as to 25% by Mr. Wong Ah Yeung, 25% by Mr. Wong Ah Yu, 25% by Mr. Wang Ya Hua and 25% by Mr. Wang Ya Nan.

3. Mr. Wong Ah Yeung is the elder brother of Mr. Wong Ah Yu, Mr. Wang Ya Hua and Mr. Wang Ya Nan.

4. Mr. Wong Ah Yu is an executive Director and the younger brother of Mr. Wong Ah Yeung and the elder brother of Mr. Wang Ya Hua and Mr. Wang Ya Nan.

5. Mr. Wang Ya Hua is the elder brother of Mr. Wang Ya Nan and the younger brother of Mr. Wong Ah Yeung and Mr. Wong Ah Yu.

6. Mr. Wang Ya Nan is a non-executive Director, the Chairman of the Board and the younger brother of Mr. Wong Ah Yeung, Mr. Wong Ah Yu and Mr. Wang Ya Hua.

7. E-Growth Resources Limited is wholly and beneficially owned by Mr. Wang Ya Nan. Under the SFO, Mr. Wang Ya Nan is deemed to be interested in 7,400,000 Shares held by E-Growth Resources Limited.

Save as disclosed in this prospectus, the Directors are not aware of any other person who will, immediately following completion of the Tongda Distribution and the Share Offer, have an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Group and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the company or who is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group. The Directors are not aware of any arrangement which may at a subsequent date result in a change of control of the Company.

SHARE CAPITAL

The following is a description of the share capital of the Company in issue and to be issued as fully paid or credited as fully paid immediately before and after completion of the Spin-off and the Listing:

Authorised share capital:		*HK$*
1,000,000,000	Shares of HK$0.01 each	10,000,000.00

Issued and to be issued, fully paid or credited as fully paid upon completion of the Spin-off and the Listing:

Shares		**HK$**	**Approximate percentage of the enlarged issued share capital (%)**
151,293,138	Shares in issued as at the date of this prospectus	1,512,931.38	80.0
37,822,500	Shares to be issued under the Share Offer	378,225.00	20.0
189,115,638	Total	1,891,156.38	100.0

ASSUMPTIONS

The above table assumes completion of the Spin-off and the Listing and the issue of Shares pursuant thereto is made as described in this prospectus. It takes no account of any Shares which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors as referred to below or otherwise.

RANKING

The Offer Shares are ordinary shares in the share capital of the Company and will rank equally in all respects with each other, and in particular, will rank in full for all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this prospectus save for entitlement under the Spin-off and the Listing.

ISSUING MANDATE

Subject to the Spin-off and the Listing become unconditional, the Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the number of Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or a specific authority granted by the Shareholders) shall not exceed the sum of:

(a) 20% of the number of Shares in issue immediately following the completion of the Spin-off and the Listing; and

(b) the number of Shares repurchased pursuant to the authority granted to the Directors as referred to in the paragraph headed "General Mandate to Repurchase Shares" in this section below.

The Issuing Mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of the options which may be granted under the Share Option Scheme. The Issuing Mandate to issue Shares will remain in effect until:

(a) the conclusion of the Company's next annual general meeting;

(b) the expiration of the period within which the Company's next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or

(c) the time when such mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

For further details of the Issuing Mandate, please refer to the section headed "A. Further information about the Company — 3. Written resolutions of the sole Shareholder passed on 8 February 2018" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Spin-off and the Listing become unconditional, the Directors have been granted a general unconditional mandate to exercise all the powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with a total number of not more than 10% of the number of Shares in issue immediately following the completion of the Spin-off and the Listing.

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection 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 section headed "A. Further Information about the Company — 7. Repurchase by the Company of Shares" in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until:

(a) the conclusion of the Company's next annual general meeting;

(b) the expiration of the period within which the Company's next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or

(c) the time when such mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the section headed "A. Further Information about the Company — 3. Written resolutions of the sole Shareholder passed on 8 February 2018" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, the Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed "Summary of the constitution of the Company and Cayman Islands company law" in Appendix III to this prospectus.

You should read the following discussion and analysis of the financial condition and results of operations in conjunction with the consolidated financial information included in Appendix I — Accountants' Reports to this prospectus, which has been prepared in accordance with HKFRS. This discussion contains forward looking statements that involve risks and uncertainties. The actual results could differ materially from those anticipated in these forward-looking statements due to various factors, including those set forth in the sections headed "Forward-looking statements" and "Risk factors" to this prospectus.

OVERVIEW

The Group, founded in Changshu, the PRC in 2010, is a one-stop manufacturing solution provider of casings of notebook, tablet and other accessories such as casings for portable chargers and routers. The Group manufactures and sells different casings and components of notebook and tablet. The Group's products are semi-finished components of notebooks and tablets which would be delivered to the customers' production plants in the PRC for further processing before selling to end users. The Group's customers are mainly OEMs of leading domestic and international brands.

The Group currently operates its leased Changshu Factory in the PRC. For each of the three years ended 31 December 2016, the Group's revenue was approximately HK$376.3 million, HK$422.7 million and HK$463.9 million, respectively. The Group recorded revenue of approximately HK$257.8 million and HK$351.5 million for the eight months ended 31 August 2016 and 2017, respectively. The Group's revenue grew during the three years ended 31 December 2016 at the CAGR of approximately 11.0%. The Group's profit for the year for the three years ended 31 December 2016 amounted to approximately HK$26.0 million, HK$25.7 million and HK$24.1 million, respectively. The Group recorded loss of approximately HK$1.7 million and profit of approximately HK$13.0 million for the eight months ended 31 August 2016 and 2017, respectively.

FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The Group's results of operations and financial condition during the Track Record Period have been and will continue to be affected by a number of factors, including but not limited to those set forth in the section headed "Risk factors" in this prospectus and set out below:

Reliance on major customers in the PRC

For each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, sales to the Group's five largest customers accounted for approximately 94.8%, 94.5%, 88.7% and 94.3%, respectively, of its total revenue, and sales to the Group's largest customer accounted for approximately 48.1%, 55.2%, 45.3% and 59.2%, respectively, of its total revenue during the same period. The Group has not entered into any long-term sales agreement with any of its major customers and if any of the major customers reduces the amount of purchase orders placed with the Group or ceases to purchase from the Group or the customers fail to settle the amount due to the Group promptly, the operating results and financial condition of the Group could be adversely and materially affected.

For each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, revenue derived from the sales to the Group's customers in the PRC accounted for approximately 97.9%, 93.7%, 98.5% and 99.3%, respectively, of its revenue. The Directors expect that a significant percentage of the Group's revenue will continue to be generated from the sales to its customers in the PRC in the future. Accordingly, the business, financial condition and operating results are largely subject to factors affecting the demand for the Group's notebook and tablet casings from the customers in the PRC. Any unexpected change in the business of the Group's customers in the PRC and any negative change in the economic, social or legal environment in the PRC could adversely and materially affect the Group's operating results.

The Group has maintained business relationship with each of its top five customers for the Track Record Period ranging from approximately 1 to 6 years as at the Latest Practicable Date. The Group regularly brings new manufacture solutions to its customers, invites its customers to visit the Group's production base, works with its customers on new product developments, and communicates with its customers through face-to-face meeting, phone and email. Through such frequent contacts, the Directors believe that the Group has a sound understanding of the needs and preferences of its customers, which helps maintain the relationship between the Group and its customers. The Directors believe that these relationships are attributable to the consistent product quality, timely delivery of the Group's products and the quick response to market demand for different product specifications. The Group shall endeavour to strengthen the continuing alliance with these customers.

Market demand for the products of the Group's downstream industries

As a supplier to manufacturers of end-products in a range of industries, demand for the Group's notebook and tablet casings directly relates to the demand for industries such as notebook and tablet. Demand for the products of such industries is, in turn, determined by the purchasing power of consumers worldwide and forecast by manufacturers and retailers of such products of projected consumer demand in upcoming periods.

Product mix

The Group's products can be classified into two major categories, namely, notebook casings and tablet casings. The sales of notebook casings and tablet casings accounted for approximately 65.2% and 33.8% for the year ended 31 December 2014, approximately 96.2% and 2.5% for the year ended 31 December 2015 and approximately 96.6% and 1.9% for the year ended 31 December 2016, respectively, of the Group's revenue. For the eight months ended 31 August 2016 and 2017, sales of notebook casings and tablet casings accounted for approximately 97.7% and 98.0%, respectively. During three years ended 31 December 2016, the Group's overall gross profit margins were approximately 22.1%, 21.0% and 22.3%, respectively. For the eight months ended 31 August 2016 and 2017, the Group recorded overall gross profit margins of approximately 19.2% and 19.4%, respectively.

The Group's selling prices of each of the product categories and gross profit margins depend on (i) the complexity of the product design; (ii) the quantity of an order; (iii) the production lead time required by customers; and (iv) the prices of raw materials. Accordingly, the selling price of the Group's products vary considerably.

The Group's overall gross profit margin for the respective year/period represents a combined result of different gross profit margin of a wide range of products manufactured by the Group with different decoration techniques applied thereon. The Directors consider that the gross profit margin of products that require decoration is generally higher than those that do not require decoration. For further details of the Group's revenue, sales volume and gross profit margin by decoration technique, please refer to the section headed "Financial information — Principal components of results of operations — Gross profit and gross profit margin" in this prospectus.

Cost of materials

Costs of materials include the costs of raw materials and semi-finished products, which represent a significant portion of the Group's cost of sales. For each of the three years ended 31 December 2016, such costs represented approximately 58.8%, 58.8% and 56.3% of the Group's cost of sales respectively. For the eight months ended 31 August 2016 and 2017, cost of materials represented approximately 46.8% and 48.3%, respectively. As such, any significant fluctuation in the price of materials may have a significant impact on the Group's profitability.

The Group may experience price fluctuations for some raw materials due to various factors including changes in demand and supply for commodities. In such cases, the Group will try to reduce the impact of price fluctuations of materials by way of bulk purchase of these materials, and adjusting the selling price of notebook and tablet casings. In addition, the Directors believe that the Group's long-term relationship with major suppliers would enhance its bargaining power and ability to obtain better prices.

Cost of labour and availability of labour

The Group's production is labour intensive. For each of the three years ended 31 December 2016, the direct labour cost accounted for approximately 17.8%, 19.1% and 15.1% of the Group's total cost of sales, respectively. For the eight months ended 31 August 2016 and 2017, direct labour costs represented approximately 17.5% and 12.1%, respectively. It is probable that there will be a continuous increase in labour cost in the PRC. If the Group is unable to identify and employ other appropriate means to reduce the labour cost, the financial results of the Group's operations may be adversely affected.

Seasonality

The sales volume of the Group has historically been affected by seasonality. As the Group's products are used by its customers in their respective manufacturing processes, the demand for the Group's products fluctuates in accordance with fluctuations in the demand for the customers' products. Notebooks and tablets have generally been in higher demand during the second half of each calendar year due to the seasonal purchase patterns of consumers affected by factors such as summer holidays, Christmas holidays and the Chinese New Year. Driven by the demand of end-products, the Group recorded higher revenue in the second half of the year than that of the first half of the year in each of the years during the Track Record Period.

Competition in the notebook and tablet casings manufacturing industry

The notebook and tablet casings manufacturing industry in which the Group operates is highly fragmented. Players in the industry are located in various regions around the world. As such, the Group competes with industry players both domestically and globally. The main competitors in the notebook and tablet casings manufacturing industry are companies located in the PRC that provide one-stop manufacturing solutions for the production of notebook and tablet casings. Please refer to the section headed "Industry overview" in this prospectus for further details.

BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" to this prospectus, the Company became the holding company of the companies now comprising the Group on 31 May 2016. As the Reorganisation only involved inserting new holding companies at the top of an existing company (i.e., Tongda HT Technology (Suzhou) Company Limited) and has not resulted in any change of economic substances, the Historical Financial Information for the Track Record Periods has been presented as a continuation of the existing company using the pooling of interests method as if the Reorganisation has been completed at the beginning of the Track Record Periods.

Accordingly, the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group are prepared as if the current group structure had been in existence throughout the Track Record Periods. The consolidated statements of financial position of the Group as at 31 December 2014 and 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at those dates.

All intra-group transactions and balances have been eliminated on consolidation.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of the Group's financial position and results of operations as included in this prospectus is based on the consolidated financial statements prepared using the significant accounting policies set forth in note 2 of section II to the accountants' report set out in Appendix I to this prospectus, which conform with the HKFRSs.

Below is a summary of certain significant accounting policies that the Directors believe are important to the preparation of the Group's financial results and positions. The Group also has other accounting policies that the Group considers to be significant, the details of which are set forth in note 2 of section II to the accountants' report set out in Appendix I to this prospectus.

Recognition of revenue and other income

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Provision against inventories

The management of the Group reviews the ageing analysis of inventories at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and work in progress based primarily on the latest invoice prices and current market conditions.

Impairment of trade and bills receivables

Impairment of trade and bills receivables is made by assessing the recoverability of trade and bills receivables based on credit history, historical payment pattern, ageing of receivable balances and prevailing market conditions. The identification of doubtful debts requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables as well as doubtful debt expenses or write-back of doubtful debt in the period in which such estimate has been changed.

For further information regarding critical accounting policies and estimates, please refer to note 2 of section II to the Accountants' Report set out in Appendix I to this prospectus.

CONSOLIDATED INCOME STATEMENTS

The table below sets out the Group's consolidated income statements during the Track Record Period:

	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	376,294	422,665	463,937	257,806	351,517
Cost of sales	(293,076)	(334,110)	(360,692)	(208,425)	(283,345)
Gross profit	83,218	88,555	103,245	49,381	68,172
Other income and gains, net	1,392	2,477	1,500	1,173	3,916
Selling and distribution expenses	(7,551)	(8,221)	(9,954)	(6,672)	(6,884)
General and administrative expenses	(39,181)	(43,345)	(55,781)	(38,391)	(40,364)
Other operating expenses, net	(1,378)	(669)	(937)	(1,099)	(2,405)
Finance costs	(1,003)	(2,866)	(6,583)	(3,463)	(5,396)
Profit before tax	35,497	35,931	31,490	929	17,039
Income tax expense	(9,465)	(10,222)	(7,386)	(2,655)	(4,029)
Profit/(loss) for the year/period attributable to equity holders of the Company	26,032	25,709	24,104	(1,726)	13,010

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

The Group principally manufactures and sells casings of notebook and tablet in the PRC. The Group's revenue is derived from the sales of notebook, tablet casings and other accessories to its customers. The Group's products are generally categorised into notebook casings, tablet casings and other accessories. The Group's sales volume is generally affected by customers' demand and average selling prices of the products. For each of the three years ended 31 December 2016, the Group's revenue was approximately HK$376.3 million, HK$422.7 million and HK$463.9 million, respectively. The Group recorded revenue of approximately HK$257.8 million and HK$351.5 million for the eight months ended 31 August 2016 and 2017 respectively. The revenue of the Group's two principal products (notebook casings and tablet casings) is a function of the sales volume and the selling prices. For the year ended 31 December 2014 and 2015, the continuous increases in the Group's revenue principally resulted from the increases in the Group's sales volume or increase in the selling prices of the Group's products following the changes in the economic conditions and the demand and supply of the notebook and tablet casings. For the year ended 31 December 2016, the increase in the Group's revenue principally resulted from (i) increased sales of notebook casings to the Group's certain major customers, in particular to Compal Electronics, Inc., for certain existing and new models which mass production occurred during 2016; (ii) increased sales to new customers of the Group; and (iii) increased sales orders from products using new production techniques including double-shot injection moulding and metal stamping with spray painting. The Group's revenue increased over the eight months ended 31 August 2016 and 2017, which was mainly due to the increase in notebook sales to Compal Electronics, Inc. for certain new projects during the period.

The sales volume of the notebook and tablet casings is primarily affected by a number of factors, including (i) the global demand for notebook and tablet casings; (ii) the Group's production capacity; and (iii) the competitiveness of the Group's notebook and tablet casings, including the quality and the price levels of the Group's products.

Business segments

The Group's total revenue derived from the sales of notebook casings and tablet casings accounted for approximately 65.2% and 33.8% for the year ended 31 December 2014, approximately 96.2% and 2.5% for the year ended 31 December 2015 and approximately 96.6% and 1.9% for the year ended 31 December 2016, respectively. The Group recorded sales of notebook casings and tablet casings accounted for approximately 95.8% and 1.9% for the eight months ended 31 August 2016 and approximately 96.1% and 1.9% for the eight months ended 31 August 2017, respectively. The following tablet sets out the Group's revenue by product type for the years indicated:

	Year ended 31 December					
	2014		**2015**		**2016**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Notebook casings	245,459	65.2	406,386	96.2	448,136	96.6
Tablet casings	127,248	33.8	10,684	2.5	8,660	1.9
Others	3,587	1.0	5,595	1.3	7,141	1.5
Total	**376,294**	**100.0**	**422,665**	**100.0**	**463,937**	**100.0**

The table below sets out the breakdown of the Group's revenue by product type during the eight months ended 31 August 2016 and 2017:

	Eight months ended 31 August			
	2016		2017	
	HK$'000	*%*	*HK$'000*	*%*
Notebook casings	247,052	95.8	337,641	96.1
Tablet casings	4,808	1.9	6,831	1.9
Others	5,946	2.3	7,045	2.0
Total	**257,806**	**100.0**	**351,517**	**100.0**

The following table sets out the total sales quantities of the Group's products for the years indicated:

	Year ended 31 December					
	2014		2015		2016	
	Units sold ('000)	*%*	*Units sold ('000)*	*%*	*Units sold ('000)*	*%*
Notebook casings	17,306	71.8	20,392	88.4	28,112	87.1
Tablet casings	6,401	26.5	697	3.0	874	2.7
Others	411	1.7	1,993	8.6	3,297	10.2
Total	**24,118**	**100.0**	**23,082**	**100.0**	**32,283**	**100.0**

Set out below are the total sales quantities by product type during the eight months ended 31 August 2016 and 2017:

	Eight months ended 31 August			
	2016		2017	
	Units sold ('000)	*%*	*Units sold ('000)*	*%*
Notebook casings	14,960	81.8	21,814	95.4
Tablet casings	485	2.6	394	1.7
Others	2,852	15.6	669	2.9
Total	**18,297**	**100.0**	**22,877**	**100.0**

The following table sets out the average selling price of the Group's products for the years/period indicated:

	Year ended 31 December			Eight months ended 31 August	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$ per unit	*HK$ per unit*	*HK$ per unit*	*HK$ per unit*	*HK$ per unit*
Notebook casings	14.2	19.9	15.9	16.5	15.5
Tablet casings	19.9	15.3	9.9	9.9	17.3
Others	8.7	2.8	2.2	2.1	10.5
Overall	**15.6**	**18.3**	**14.4**	**14.1**	**15.4**

Note: The average selling price represents the revenue for the financial year/period divided by the total sales quantities for the financial year/period.

The selling price of each of the product categories depends on (i) the complexity of the product design and technologies involved; (ii) the quantity of an order; (iii) the production lead time required by customers; and (iv) the prices of materials. Accordingly, the selling price of the Group's products vary considerably.

The average selling price per unit increased from approximately HK$15.6 for the year ended 31 December 2014 to approximately HK$18.3 for the year ended 31 December 2015 because of the shift of product mix to notebook casing products with higher selling prices. The average selling price per unit decreased from approximately HK$18.3 for the year ended 31 December 2015 to approximately HK$14.4 for the year ended 31 December 2016 was due to the general decrease in average selling prices of the Group's products where (i) decreased average selling prices of notebook casings and other casings as there were larger quantities of small components ordered by customers which were generally sold at lower average prices; and (ii) decreased average selling prices of tablet casings as there were decreased demand from customers for tablet casings which required decorative techniques and were generally sold at higher average prices.

The average selling price per unit slightly increased from approximately HK$14.1 for the eight months ended 31 August 2016 to approximately HK$15.4 for the eight months ended 31 August 2017 which was mainly due to the higher average unit prices of certain new tablet casing and other casing projects undertaken by the Group during the period.

Notebook casings

Notebook casing is one of the Group's principal products. The sales of notebook casings contributed the Group's revenue for each of the three years ended 31 December 2016 of approximately HK$245.5 million, HK$406.4 million and HK$448.1 million, respectively. Based on the actual sales volume and the revenue generated from the sales of notebook casings, the average selling prices for each of the three years ended 31 December 2016 were approximately HK$14.2, HK$19.9 and HK$15.9, respectively. Sales of notebook casings contributed to the Group's revenue for the eight months ended 31 August 2016 and 2017 of approximately HK$247.1 million and HK$337.6 million, respectively. The average selling price of notebook casings was approximately HK$16.5 and HK$15.5 for the eight months ended 31 August 2016 and 2017, respectively.

Revenue generated from the sales of notebook casings increased by approximately HK$160.9 million or 65.5% over the years ended 31 December 2014 and 2015 mainly as a result of (i) the increase in total sales quantities of notebook casings of approximately 3.1 million units or 17.9% from approximately 17.3 million units for the year ended 31 December 2014 to approximately 20.4 million units for the year ended 31 December 2015 mainly due to the increased demand for notebook casings from the Group's customers; and (ii) the increase in average selling price from approximately HK$14.2 to approximately HK$19.9 per unit over the years ended 31 December 2014 and 2015 mainly due to the increased demand from customers for notebook casings designed to require decorative techniques such as IMR which were generally sold at higher average prices.

Revenue generated from the sales of notebook casings increased by approximately HK$41.7 million or 10.3% over the year ended 31 December 2015 to 2016 mainly as a result of (i) increased sales of notebook casings to the Group's major customers, in particular to Compal Electronics, Inc., for certain existing and new models which mass production occurred during 2016; (ii) increased sales to new customers of the Group; and (iii) increased orders from products using new production techniques including double-shot injection moulding and metal stamping with spray painting. Revenue generated from sales of notebook casings increased by approximately HK$90.5 million or 36.6% over the eight months ended 31 August 2016 and 2017 mainly as a result of the increase in notebook sales to Compal Electronics, Inc. for certain new projects during the period.

Tablet casings

Tablet casings is the other principal product of the Group. The sales of tablet casings contributed to the Group's revenue for each of the three years ended 31 December 2016 of approximately HK$127.2 million, HK$10.7 million and HK$8.7 million, respectively. Based on the actual sales volume and the revenue generated from the sales of tablet casings, the average selling prices for each of the three years ended 31 December 2016 were approximately HK$19.9, HK$15.3 and HK$9.9 per unit, respectively. Sales of tablet casings contributed to the Group's revenue for the eight months ended 31 August 2016 and 2017 of approximately HK$4.8 million and HK$6.8 million, respectively. The average selling price of tablet casings was approximately HK$9.9 and HK$17.3 for the eight months ended 31 August 2016 and 2017, respectively.

The revenue generated from the sales of tablet casings decreased significantly of approximately HK$116.5 million or 91.6% over the years ended December 2014 and 2015 was mainly as a result of (i) the decrease in total sales quantities of tablet casings of approximately 5.7 million units or 89.1% from approximately 6.4 million units for the year ended 31 December 2014 to approximately 0.7 million units for the year ended 31 December 2015 mainly due to the decreased sales orders for tablet casings from customers as certain tablet casing projects substantially completed in 2015; and (ii) the decrease in average selling price from approximately HK$19.9 to approximately HK$15.3 per unit over the years ended 31 December 2014 and 2015 mainly due to the decreased demand from customers for tablet casings designed to require decorative techniques such as IMR which were generally sold at higher average prices.

The revenue generated from the sales of tablet casings decreased significantly of approximately HK$2.0 million or 18.7% over the year ended 31 December 2015 and 2016 was mainly as a result of (i) the increase in total sales quantities of tablet casings of approximately 177,000 units from approximately 697,000 units for the year ended 31 December 2015 to approximately 874,000 units for the year ended 31 December 2016 mainly due to the increased sales orders for tablet casings from customers for certain new tablet casing projects; and (ii) the decrease in average selling price from approximately HK$15.3 to approximately HK$9.9 per unit over the years ended 31 December 2015 and 2016 mainly due to the decreased demand from customers for tablet casings which required decorative techniques such as IMR and were generally sold at higher average prices.

Revenue generated from sales of tablet casings increased by approximately HK$2.0 million or 41.7% over the eight months ended 31 August 2016 and 2017 mainly as a result of the mass production of a new tablet casing project which mainly required anodising decoration technique with a higher unit price during the period. During the eight months ended 31 August 2017, the Company undertook two tablet casing projects from Quanta with (i) aggregate sales volume of approximately 303,000 units; and (ii) aggregate revenue of approximately HK$3.3 million.

Geographical markets

The Group's sales are principally made to customers in the PRC and Taiwan. Set out below is a breakdown of the Group's revenue by location of the customers during the three years ended 31 December 2016:

	Year ended 31 December					
	2014		**2015**		**2016**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
The PRC	368,283	97.9	396,185	93.7	456,975	98.5
Taiwan	3,102	0.8	23,892	5.7	6,778	1.5
Others	4,909	1.3	2,588	0.6	184	0.0
Total	**376,294**	**100.0**	**422,665**	**100.0**	**463,937**	**100.0**

Set out below is the breakdown of the Group's revenue by location of the customers during the eight months ended 31 August 2016 and 2017:

	Eight months ended 31 August			
	2016		**2017**	
	HK$'000	*%*	*HK$'000*	*%*
The PRC	253,309	98.2	348,971	99.3
Taiwan	4,324	1.7	2,210	0.6
Others	173	0.1	336	0.1
Total	**257,806**	**100.0**	**351,517**	**100.0**

Note: During the Track Record Period, other locations include Hong Kong and the United States.

Cost of sales

Cost of sales primarily consists of cost of electricity and water, moulds and tools, subcontracting fee, materials, depreciation of property, plant and equipment, direct labour cost and other production overheads. Moulds and tools represents the production costs required for moulds and tools; subcontracting fee represents the subcontracting fee paid for the outsourced manufacturing process to third-party subcontractors; cost of materials include the costs of accessories and components, resin and other raw materials mainly purchased from third party suppliers.

For each of the three years ended 31 December 2016, the Group's cost of sales was approximately HK$293.1 million, HK$334.1 million and HK$360.7 million, respectively. For the eight months ended 31 August 2016 and 2017, the Group's cost of sales was approximately HK$208.4 million and HK$283.3 million, respectively. The following table sets out the principal components of the Group's cost of sales and their corresponding percentages to the cost of sales and the revenue for each of the three years ended 31 December 2016:

	Year ended 31 December								
	2014			**2015**			**2016**		
	HK$'000	*% of cost of sales*	*% of revenue*	*HK$'000*	*% of cost of sales*	*% of revenue*	*HK$'000*	*% of cost of sales*	*% of revenue*
Electricity and water	12,474	4.3	3.3	9,544	2.9	2.3	10,778	3.0	2.3
Moulds and tools	8,636	2.9	2.3	7,791	2.3	1.8	13,959	3.9	3.0
Subcontracting fee	13,617	4.6	3.6	14,540	4.4	3.4	29,327	8.1	6.3
Consumables	6,154	2.1	1.6	10,169	3.1	2.4	13,822	3.8	3.0
Cost of materials	172,272	58.8	45.8	196,568	58.8	46.5	203,058	56.3	43.8
Depreciation	14,163	4.8	3.8	14,361	4.3	3.4	15,713	4.4	3.4
Direct labour	52,084	17.8	13.8	63,960	19.1	15.1	54,428	15.1	11.7
Other production overheads	13,676	4.7	3.7	17,177	5.1	4.1	19,607	5.4	4.2
Total	**293,076**	**100.0**	**77.9**	**334,110**	**100.0**	**79.0**	**360,692**	**100.0**	**77.7**

The following table sets out the principal components of the Group's cost of sales and their corresponding percentages to the cost of sales and the revenue for the eight months ended 31 August 2016 and 2017:

	Eight months ended 31 August					
	2016			2017		
	HK$'000	*% of cost of sales*	*% of revenue*	*HK$'000*	*% of cost of sales*	*% of revenue*
Electricity and water	8,268	4.0	3.2	9,630	3.4	2.7
Moulds and tools	9,803	4.7	3.8	12,341	4.4	3.5
Subcontracting fee	15,623	7.5	6.1	54,428	19.2	15.5
Consumables	11,144	5.3	4.3	10,062	3.6	2.9
Cost of materials	97,548	46.8	37.8	136,752	48.3	38.9
Depreciation	10,525	5.0	4.1	10,703	3.8	3.0
Direct labour	36,438	17.5	14.1	34,165	12.1	9.7
Other production overheads	19,076	9.2	7.4	15,264	5.2	4.4
Total	**208,425**	**100.0**	**80.8**	**283,345**	**100.0**	**80.6**

During the Track Record Period, the main factors affecting the Group's cost of sales were cost of materials, cost of direct labour, subcontracting fee, moulds and tools, consumables, depreciation and costs for electricity and water. The amount of cost of direct labour was mainly affected by the average amount of remuneration paid, amount of outsourced processing services engaged, increases in minimum wage and the market price of labour.

Cost of materials

The Group's cost of materials amounted to approximately HK$172.3 million, HK$196.6 million and HK$203.1 million which represented approximately 58.8%, 58.8% and 56.3% of its total cost of sales and approximately 45.8%, 46.5% and 43.8% of its total revenue for each of the three years ended 31 December 2016, respectively. The Group's cost of materials amounted to approximately 46.8% and 48.3% of its total cost of sales and approximately 37.8% and 38.9% of its total revenue for each of the periods ended 31 August 2016 and 2017, respectively. The Group's cost of materials primarily consists of the cost of accessories and components, resin and other raw materials used in production. Accessories and components include touchpads, thin film, mesh sheets and other accessories for the Group's production. The prices of the Group's principal raw materials, metal plate and resin, decreased for the years ended 31 December 2014 and 2015, reflecting the then prevailing market conditions. Cost of materials of the Group increased over the years ended 31 December 2014 to 2015 mainly due to the increase in purchase of materials from third-party suppliers as a result of the larger quantities of accessories and components required according to the customers' specifications, which also led to the increase in average unit cost of the Group's products. Cost of materials further increased in the year ended 31 December 2016 primarily due to the increased raw materials consumed to cope with increased sales orders from customers, which was generally in line with the increase in revenue. Cost of materials increased over the eight months ended 31 August 2016 to 2017, which was generally in line with the increase in revenue.

The following table sets out the breakdown of the Group's cost of materials purchased from third party suppliers for the years indicated:

	Year ended 31 December					
	2014		2015		2016	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Accessories and components	140,525	54.4	169,988	64.6	156,828	62.6
Resin	61,447	23.8	59,972	22.8	65,608	26.2
Other raw materials	56,327	21.8	33,130	12.6	28,103	11.2
Total	**258,299**	**100.0**	**263,090**	**100.0**	**250,539**	**100.0**

The following table sets out the breakdown of the Group's cost of materials purchased from third party suppliers during the eight months ended 31 August 2016 and 2017:

	Eight months ended 31 August			
	2016		2017	
	HK$'000	*%*	*HK$'000*	*%*
Accessories and components	98,787	60.7	109,590	59.5
Resin	44,920	27.6	39,132	21.2
Other raw materials	18,967	11.7	35,600	19.3
Total	**162,674**	**100.0**	**184,322**	**100.0**

Note: Other raw materials mainly comprise of thin film, chemicals and aluminium plate.

The Group estimates that if there were a general increase or decrease of raw material price by 5% in each of the three years ended 31 December 2016, with all other variables held constant, the Group's profit before tax would have decreased or increased by approximately HK$8.6 million, HK$9.8 million and HK$10.2 million, respectively. If such increase or decrease was 10% in each of the three years ended 31 December 2016, the Group's profit before tax would have decreased or increased by approximately HK$17.2 million, HK$19.7 million and HK$20.3 million, respectively. For the eight months ended 31 August 2017, the Group's profit before tax would have decreased or increased by approximately HK$6.8 million and HK$13.7 million if there were a general increase or decrease of raw material price by 5% and 10%, respectively. The Directors do not consider that raw material price fluctuations during the Track Record Period had significant impact on the Group's business.

Consumables

The Group's cost of consumables amounted to approximately HK$6.2 million, HK$10.2 million and HK$13.8 million which represented approximately 2.1%, 3.1% and 3.8% of its total cost of sales for each of the three years ended 31 December 2016, respectively. For the eight months ended 31 August 2016 and 2017, the Group's cost of consumables amounted to approximately HK$11.1 million and HK$10.1 million, which represented approximately 5.3% and 3.6% of its total cost of sales, respectively. The cost of consumables mainly included packaging materials for the Group's products. Such increase was principally due to the increase in the sales volume during the period.

Direct labour

The Group's cost of direct labour amounted to approximately HK$52.1 million, HK$64.0 million and HK$54.4 million which represented approximately 17.8%, 19.1% and 15.1% of its total cost of sales for each of the three years ended 31 December 2016, respectively. The cost of direct labour of the Group included salaries and other benefits relating to its production employees. The cost of direct labour increased by approximately HK$11.9 million or 22.8% over the years ended 31 December 2014 and 2015 mainly as a result of (i) the increased amount of dispatched workers engaged mainly due to the increased production demand from customers' sales orders; and (ii) the increase in minimum wage and market price of labour. During the year ended 31 December 2016, the Group's direct labour costs was approximately HK$54.4 million and was lower than the amount of approximately HK$64.0 million during the year ended 31 December 2015. For the eight months ended 31 August 2016 and 2017, the Group's cost of direct labour also decreased from approximately HK$36.4 million to HK$34.2 million, which represented approximately 17.5% and 12.1% of its total cost of sales, respectively. The decrease in the direct labour cost primarily due to the decrease in number of dispatched workers employed by the Group and enhanced automation during the Group's production process.

As at 31 December 2014, 2015 and 2016 and 31 August 2017, the direct labour force included (i) permanent full-time employees of 825, 766, 808 and 968; and (ii) dispatched workers of 120, 265, 24 and 40, respectively.

Subcontracting fee

The Group's subcontracting fee amounted to approximately HK$13.6 million, HK$14.5 million and HK$29.3 million which represented approximately 4.6%, 4.4% and 8.1% of its total cost of sales for each of the three years ended 31 December 2016, respectively. Subcontracting fee represented the fees paid for the outsourced processing services to third-party subcontractors of the Group. During the Track Record Period, the Group outsourced part of the manufacturing process of some of its products while outsourced processing services mainly included sputtering deposition and anodising. Subcontracting fee increased by approximately HK$0.9 million or 6.6% over the years ended 31 December 2014 and 2015 mainly as a result of the increased production during the year. During the year ended 31 December 2016, the Group's subcontracting fee was approximately HK$29.3 million and increased by approximately 2.0 times as compared with approximately HK$14.5 million during the year ended 31 December 2015. Such increase was principally due to (i) the increase in production of casings which require sputtering deposition and anodising; and (ii) increase in amount of outsourced spray painting and plastic injection production process during the year ended 31 December 2016.

For the eight months ended 31 August 2016 and 2017, the Group's subcontracting fee amounted to approximately HK$15.6 million and HK$54.4 million which represented approximately 7.5% and 19.2% of its total cost of sales, respectively. Such increase was primarily due to the (i) increase in production of metal casings which require anodising decoration technique; and (ii) increase in amount of outsourced spray painting and plastic injection production process during the eight months ended 31 August 2017.

Moulds and tools

The Group's moulds and tools expenses amounted to approximately HK$8.6 million, HK$7.8 million and HK$14.0 million which represented approximately 2.9%, 2.3% and 3.9% of its total cost of sales for each of the three years ended 31 December 2016, respectively. Moulds and tools expenses mainly comprised production costs required for mould fabrication for plastic casings and metal tooling for metal casings. Moulds and tools expenses decreased by its proportion of total cost of sales over the years ended 31 December 2014 and 2015 mainly due to more customers provided their moulds to the Group for further production of casings instead of engaging the Group for mould fabrication and metal tooling. During the year ended 31 December 2016, the Group's moulds and tools increased by approximately HK$6.2 million as compared with HK$7.8 million during the year ended 31 December 2015. Such increase was principally due to the increased costs for replacing aging moulds and mould fabrication for new models for the Group's production.

For the eight months ended 31 August 2016 and 2017, the Group's moulds and tools expenses amounted to approximately HK$9.8 million and HK$12.3 million which represented approximately 4.7% and 4.4% of its total cost of sales, respectively. Such increase was primarily due to the increased costs for fabrication of new moulds for certain new casing projects.

Depreciation

The Group's depreciation expenses amounted to approximately HK$14.2 million, HK$14.4 million and HK$15.7 million which represented approximately 4.8%, 4.3% and 4.4% of its total cost of sales for each of the three years ended 31 December 2016, respectively. Depreciation mainly consists of depreciation on the Group's production facilities and other fixed assets used in the production. Depreciation expenses correspond to the book value of the Group's fixed production assets. The Group commenced recognising depreciation expenses in respect of new fixed production assets upon commencement of commercial operation. The Group's depreciation expenses remained at a similar amount over the three years ended 31 December 2016.

For the eight months ended 31 August 2016 and 2017, the Group's depreciation expenses amounted to approximately HK$10.5 million and HK$10.7 million which represented approximately 5.0% and 3.8% of its total cost of sales, respectively. Such amount remained similar over the eight months ended 31 August 2016 and 2017.

Electricity and water

This mainly comprised the costs for electricity and water used in the production process of the Group's notebook and tablet casings. For each of the three years ended 31 December 2016, the cost for electricity and water was approximately HK$12.5 million, HK$9.5 million and HK$10.8 million respectively. The cost of electricity decreased by approximately HK$3.0 million and 24.0% over the years ended 31 December 2014 and 2015 mainly as a result of the combined effect of (i) decrease in usage of heater at staff quarters and the Changshu Factory which may be due to the increase in the average temperature in the PRC during the year which was evidenced by the lower electricity and water charges during the second half of 2015 as compared to 2014; and (ii) the implementation of energy saving measures by the Group, including but not limited to, the replacement of lamps with lower wattage, the installation of new drainage system and central air-conditioning system, the rearrangement of floor plan at the Changshu Factory and management's effort in raising the awareness of the Group's employees about energy saving during the year ended 31 December 2015. During the year ended 31 December 2016, the Group's electricity and water charges were approximately HK$10.8 million, which increased in accordance with increased utilisation of machines during the year.

For the eight months ended 31 August 2016 and 2017, the Group's cost for electricity and water amounted to approximately HK$8.3 million and HK$9.6 million which represented approximately 4.0% and 3.4% of its total cost of sales, respectively. Such increase was primarily due to the increased utilisation of machines during the period.

Other production overheads

The Group's other production overheads amounted to approximately HK$13.7 million, HK$17.2 million and HK$19.6 million which represented approximately 4.7%, 5.1% and 5.4% of its total cost of sales for the three years ended 31 December 2016, respectively. The Group's other production overheads primarily consists of costs for repair and maintenance, certain tax expenses, rental expenses and impairment charges. The Group's other production overheads increased by approximately HK$3.5 million or 25.5% over the years ended 31 December 2014 and 2015 mainly due to the increase in rental expenses and impairment charges during the year. During the year ended 31 December 2016, other production overheads were approximately HK$19.6 million and increased by approximately 14.0% as compared with approximately HK$17.2 million during the year ended 31 December 2015. Such increase was principally due to the increase in social insurance contribution for workers during the period.

For the eight months ended 31 August 2016 and 2017, the Group's other production overheads amounted to approximately HK$19.1 million and HK$15.3 million which represented approximately 9.2% and 5.2% of its total cost of sales, respectively.

The cost of sales increased by a higher rate from the year ended 31 December 2014 to the year ended 31 December 2015 compared to the increase in the revenue for the corresponding period, which was mainly attributable to the increase in the cost of materials and the increase in direct labour cost during the years as explained above. During the year ended 31 December 2016, cost of sales increased by a lower rate than that of the increase in revenue as explained above.

For the eight months ended 31 August 2016 and 2017, cost of sales increased by a lower rate compared to the increase in revenue, which was mainly attributable to an improvement of gross profit margin as a result of the higher proportion of products with decoration required by customers.

Gross profit and gross profit margin

The following table sets out the Group's gross profit and gross profit margin by product categories for the years/periods indicated:

	Year ended 31 December						Eight months ended 31 August			
	2014		**2015**		**2016**		**2016**		**2017**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Notebook casings	53,286	21.7	85,393	21.0	100,057	22.3	47,467	19.2	65,863	19.5
Tablet casings	29,286	23.0	2,085	19.5	2,008	23.2	1,044	21.7	985	14.4
Others	646	18.0	1,077	19.2	1,180	16.5	870	14.6	1,324	18.8
Total	**83,218**	**22.1**	**88,555**	**21.0**	**103,245**	**22.3**	**49,381**	**19.2**	**68,172**	**19.4**

The Group's gross profit amounted to approximately HK$83.2 million, HK$88.6 million and HK$103.2 million for each of the three years ended 31 December 2016, respectively. The Group's overall gross profit margin was approximately 22.1%, 21.0% and 22.3% for each of the three years ended 31 December 2016, respectively. The Group recorded (i) gross profit of approximately HK$49.4 million and HK$68.2 million; and (ii) overall gross profit margin of approximately 19.2% and 19.4% for the eight months ended 31 August 2016 and 2017 respectively. Due to the effect of seasonality, the Group generally recorded a relatively lower gross profit margin during the slack season in the first half of each calendar year. In addition, the Group's overall gross profit margin for the respective year/period represents a combined result of different gross profit margin of a wide range of products manufactured by the Group with different decoration techniques applied thereon. The Group's overall gross profit margin is generally subject to the product specifications demanded by the Group's customers based on the types of decoration techniques adopted and the complexity of the production process. For example, a higher proportion of products sold by the Group that required a mixture of decoration techniques during the production process would generally result in a higher overall gross profit margin for the Group.

Gross profit margin decreased from approximately 22.1% to 21.0% over the years ended 31 December 2014 and 2015, which was primarily due to the continuous increase in the cost of materials and direct labour costs for the Group's products for the year ended 31 December 2015 as compared with the year ended 31 December 2014. The overall gross profit margin slightly increased from 21.0% for the year ended 31 December 2015 to 22.3% for the year ended 31 December 2016, which was mainly due to (i) the increase in the revenue recognised for notebook casing projects which adopted various decoration techniques such as double-shot injection and auto-spraying with higher profit margins; and (ii) the increase in automation which lead to improved production efficiency and less direct labour were employed for production. The overall gross profit margin increased from 19.2% for the eight months ended 31 August 2016 to 19.4% for the eight months ended 31 August 2017. Such improvement in the profit margin was mainly due to (i) the increase in products sold adopting decoration techniques such as spray painting, anodising and double-shot injection with higher profit margins; and (ii) the increase in automation which led to improved production efficiency and therefore, less direct labour were employed for production.

For the year ended 31 December 2016, the Group recorded slightly higher gross profit margins than that of the years ended 31 December 2014 and 2015, which was due to the different decorations applied to projects undertaken by the Group. During the year ended 31 December 2016, a notebook casing project which required spray painting technique with higher gross profit margin and mass production commenced in June 2016. The sales of the notebook casing project (i) contributed revenue of approximately 24.5% of the Group's total revenue; and (ii) recorded gross profit margin of approximately 27.9% during the year ended 31 December 2016, respectively.

During the eight months ended 31 August 2016 and 2017, the Group recorded gross profit margin of approximately 19.2% and 19.4% respectively, which remained at a similar level. Depending on the ramp-up progress and product mix regarding decoration techniques of certain projects undertaken by the Group, the Directors consider that the Group's overall gross profit margin is expected to maintain at a similar level compared with or slightly below than that during the Track Record Period in the near future.

According to the blueprint provided by the OEM customers, decoration techniques were applied on the Group's products according to the aesthetic requirements for the surface of the casing and components. During the Track Record Period, except for products which do not require decorations, the major types of decoration techniques provided by the Group include, among others, IML, IMR, spray painting and LMF. For further details of the different types of decoration techniques provided by the Group, please refer to the section headed "Business — Production process — Decoration" in this prospectus.

Set out below is a breakdown of the Group's revenue, sales volume and gross profit margin by products with decoration and those without decoration for the three years ended 31 December 2016:

	Year ended 31 December								
	2014			2015			2016		
	Revenue	Units sold	Gross profit margin	Revenue	Units sold	Gross profit margin	Revenue	Units sold	Gross profit margin
	HK$'000	*'000 units*	*%*	*HK$'000*	*'000 units*	*%*	*HK$'000*	*'000 units*	*%*
Products with decoration	279,309	11,476	24.4	245,252	6,812	24.0	295,821	16,297	25.7
Products without decoration	96,985	12,642	15.6	177,413	16,270	16.7	168,116	15,986	16.2
Total	**376,294**	**24,118**	**22.1**	**422,665**	**23,082**	**21.0**	**463,937**	**32,283**	**22.3**

Set out below is a breakdown of the Group's revenue, sales volume and gross profit margin by products with decoration and those without decoration during the eight months ended 31 August 2016 and 2017:

	Eight months ended 31 August					
	2016			2017		
	Revenue	Units sold	Gross profit margin	Revenue	Units sold	Gross profit margin
	HK$'000	*'000 units*	*%*	*HK$'000*	*'000 units*	*%*
Products with decoration	147,470	6,906	22.8	288,438	11,989	21.6
Products without decoration	110,336	11,391	14.2	63,079	10,888	9.1
Total	**257,806**	**18,297**	**19.2**	**351,517**	**22,877**	**19.4**

As shown in the tables above, products with decoration generally have higher gross profit margin than those without decoration. The change in proportion of sales of products with decoration to those without would affect the overall gross profit margin of the Group.

Set out below is a breakdown of the Group's revenue, sales volume and gross profit margin by decoration technique during the three years ended 31 December 2016:

	Year ended 31 December								
	2014			2015			2016		
	Revenue	Units sold	Gross profit margin	Revenue	Units sold	Gross profit margin	Revenue	Units sold	Gross profit margin
	HK$'000	*'000 units*	*%*	*HK$'000*	*'000 units*	*%*	*HK$'000*	*'000 units*	*%*
IML	57,201	1,545	26.7	24,130	1,215	25.6	12,639	946	24.3
IMR	105,812	4,137	23.3	116,910	2,363	23.8	97,391	1,565	23.2
Spray painting	95,804	5,396	24.1	84,560	2,901	23.5	151,777	12,769	28.0
Anodising	2,584	167	23.2	3,584	274	24.3	15,730	453	19.1
Double-shot	–	–	–	–	–	–	3,938	260	27.2
LMF	2,733	49	28.0	3,050	55	24.6	73	1	16.4
Others	15,175	182	24.2	13,018	4	26.2	14,273	303	25.4
Total products with decoration	279,309	11,476	24.4	245,252	6,812	24.0	295,821	16,297	25.7

Set out below is a breakdown of the Group's revenue, sales volume and gross profit margin by decoration technique during the eight months ended 31 August 2016 and 2017:

	Eight months ended 31 August					
	2016			2017		
	Revenue	Units sold	Gross profit margin	Revenue	Units sold	Gross profit margin
	HK$'000	*'000 units*	*%*	*HK$'000*	*'000 units*	*%*
IML	8,564	666	16.4	7,317	436	26.2
IMR	59,675	965	20.4	72,945	1,156	19.5
Spray painting	73,738	4,949	25.8	115,115	7,978	21.5
Anodising	2,590	171	18.6	76,385	1,159	22.6
Double-shot	1,092	78	24.4	5,606	382	29.8
LMF	129	2	19.4	–	–	N/A
Others	1,682	74	15.9	11,070	878	23.9
Total products with decoration	147,470	6,905	22.8	288,438	11,989	21.6

For products applying different decoration techniques, the gross profit margin varied project by project during the Track Record Period. The Directors consider that the gross profit margin of different decoration techniques are affected by factors including (i) the technical requirement of the decoration; (ii) urgency of the production request; and (iii) size of the purchase order.

Other income and gains, net

The Group's net other income and gains amounted to approximately HK$1.4 million, HK$2.5 million and HK$1.5 million for the three years ended 31 December 2016, respectively. For the eight months ended 31 August 2016 and 2017, the Group's net other income and gains amounted to approximately HK$1.2 million and HK$3.9 million, respectively. The net other income and gains mainly represented interest income earned on bank deposits, income derived from sale of scrap materials and other miscellaneous income such as foreign exchange differences and government grants.

Selling and distribution expenses

Selling and distribution expenses primarily consist of freight charges for delivery of the Group's products, custom declaration charges and others. The following table sets out the breakdown of the Group's selling and distribution expenses for the years/periods indicated:

	Year ended 31 December						Eight months ended 31 August			
	2014		2015		2016		2016		2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Freight charges	4,323	57.2	5,037	61.3	5,395	54.2	3,534	53.0	4,292	62.3
Customs declaration	385	5.1	559	6.8	755	7.6	544	8.2	357	5.2
Employee benefit expenses	662	8.8	795	9.7	1,212	12.2	754	11.3	724	10.5
Social security	43	0.6	49	0.6	112	1.1	202	3.0	54	0.8
Entertainment expenses	1,368	18.1	1,097	13.3	1,603	16.1	1,031	15.5	890	12.9
Travelling expenses	588	7.8	420	5.1	524	5.3	390	5.8	464	6.7
Sample fees	97	1.3	232	2.8	353	3.5	217	3.2	103	1.6
Others	85	1.1	32	0.4	–	0.0	–	–	–	–
Total	**7,551**	**100.0**	**8,221**	**100.0**	**9,954**	**100.0**	**6,672**	**100.0**	**6,884**	**100.0**

The Group's total selling and distribution expenses were approximately HK$7.6 million, HK$8.2 million and HK$10.0 million for each of the three years ended 31 December 2016, respectively, which accounted for approximately 2.0%, 1.9% and 2.1% of the Group's revenue, which remained relatively stable.

The Group's total selling and distribution expenses were approximately HK$6.7 million and HK$6.9 million for the eight months ended 31 August 2016 and 2017, respectively, which accounted for approximately 2.6% and 2.0% of the Group's revenue, which remained relatively stable as well.

The Group's entertainment expenses mainly related to dining expenses with existing and potential new customers. As advised by the Directors, the Group generally holds hospitality occasions in various cities in the PRC, close to such customers' geographical location, for the purpose of enhancing client relationships and keeping abreast with market information. The entertainment expenses remained similar over the years ended 31 December 2014 and 2015. Entertainment expenses increased to larger extent over the year ended 31 December 2016 when compared to that for the year ended 31 December 2015 on a pro-rata basis as the Group solicited more significant new customers during the year. During the three years ended 31 December 2016 and the eight months ended 31 August 2017, the Group's number of new customers in the respective year/period was approximately 9, 13, 13 and 6, and revenue generated from such new customers amounted to approximately HK$3.5 million, HK$6.5 million, HK$53.1 million and HK$3.4 million, respectively. According to the Directors, the business entertainment expenses were generally kept at or below a level of 0.5% of the Group's revenue. During the Track Record Period, the entertainment expenses accounted for approximately 0.4%, 0.3%, 0.3% and 0.3% of the Group's total revenue for the three years ended 31 December 2016 and eight months ended 31 August 2017 respectively.

General and administrative expenses

General and administrative expenses primarily consist of: (i) staff cost and benefits; (ii) research and development costs; (iii) depreciation; (iv) rental expenses; and (v) other administrative expenses. The following table sets out the breakdown of the Group's general and administrative expenses for the years/periods indicated:

	Year ended 31 December						Eight months ended 31 August			
	2014		2015		2016		2016		2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Business tax	886	2.3	802	1.9	1,887	3.4	1,520	4.0	902	2.2
Custom declaration charges	88	0.2	96	0.2	68	0.1	135	0.3	–	–
Depreciation	3,764	9.6	3,293	7.6	1,616	2.9	1,238	3.2	1,013	2.5
Insurance	323	0.8	427	1.0	319	0.6	65	0.2	318	0.8
Listing expense	–	0.0	600	1.4	12,478	22.4	10,142	26.4	11,388	28.2
Office expenses	2,433	6.2	4,030	9.3	2,993	5.4	1,674	4.4	1,684	4.2
Postage and courier	215	0.5	138	0.3	241	0.4	117	0.3	186	0.5
Rental expenses	1,660	4.2	2,253	5.2	1,829	3.3	1,250	3.2	1,196	3.0
Repair and maintenance	886	2.3	1,036	2.4	1,343	2.4	915	2.4	811	2.0
Research and development costs	11,671	29.8	13,503	31.1	14,267	25.6	8,559	22.3	10,589	26.2
Staff cost and benefits	13,260	33.9	13,131	30.3	14,299	25.6	9,583	25.0	9,495	23.5
Telecommunication	385	1.0	430	1.0	453	0.8	304	0.8	282	0.7
Travelling expenses	1,209	3.1	1,138	2.6	1,363	2.4	959	2.5	781	1.9
Utilities	1,015	2.6	1,073	2.5	1,086	1.9	704	1.8	431	1.1
Miscellaneous	1,386	3.5	1,395	3.2	1,539	2.8	1,226	3.2	1,288	3.2
Total	**39,181**	**100.0**	**43,345**	**100.0**	**55,781**	**100.0**	**38,391**	**100.0**	**40,364**	**100.0**

The Group's total administrative expenses amounted to approximately HK$39.2 million, HK$43.3 million and HK$55.8 million for each of the three years ended 31 December 2016, respectively, which accounted for approximately 10.4%, 10.2% and 12.0% of the Group's revenue. The increase in the Group's general and administrative expenses during the year ended 31 December 2016 was mainly attributable to the recognition of the non-recurring Listing expenses of approximately HK$12.5 million during the year.

The Group's rental expenses recognised in administrative expenses mainly represent (i) rent paid for office; and (ii) staff quarters located in Changshu. Due to the relatively minimal area occupied by the Group's office staff, the respective rent paid for office is low and the rent paid for staff quarters accounted for the majority of the administrative rental expenses. Since the Group's production base is located in Changshu, a county-level city, the average rental is relatively low as compared to other first- or second-tier cities in the PRC. As at 31 August 2017, the total existing rental area for the Group's staff quarters was approximately 14,200 sq. m., with average monthly rental of approximately HK$11.8 per sq. m.

The Group's factory rental expenses were recognised in cost of sales, which amounted to approximately HK$2.2 million, HK$3.8 million, HK$2.7 million and HK$1.9 million for the three years ended 31 December 2016 and the eight months ended 31 August 2017. As such, the aggregated rental expenses of the Group amounted to approximately HK$3.8 million, HK$6.0 million, HK$4.5 million and HK$3.1 million, representing approximately 1.0%, 1.4%, 1.0% and 0.9% of the Group's total revenue during the Track Record Period.

The Group's office expenses mainly represented, among others, printing and stationery, purchase of low value items which are for purpose other than production and only account for less than 1% of the Group's total revenue and remain relatively stable during Track Record Period. In order to support the Group's normal business operations and transaction volume, the Group incurs considerable costs for the purchase of ink, stationery and paper to print various documents, including but not limited to inventory storage records, delivery lists, packing lists, bills of materials, miscellaneous reports and administrative documents. Furthermore, the low value consumables mainly consist of replacement of computer accessories such as central processing units (CPUs), monitors and hard disks, etc. In addition, the Group also incurs office expenses such as costs for uniforms and miscellaneous expenses such as distilled water consumed by the Group's full-time and part-time employees and dispatched workers. Given the relatively low average rental expenses incurred by the Group in respect of the staff quarters located in Changshu, a county-level city, the Group's administrative rental expenses were comparable to the offices expenses.

The Group's total general and administrative expenses amounted to approximately HK$38.4 million and HK$40.4 million for the eight months ended 31 August 2016 and 2017, respectively, which accounted for approximately 14.9% and 11.5% of the Group's revenue, which remained relatively stable.

Other operating expenses, net

Other operating expenses, net amounted to approximately HK$1.4 million, HK$0.7 million and HK$0.9 million for the three years ended 31 December 2016, respectively. For the eight months ended 31 August 2016 and 2017, the Group recorded net other operating expenses of approximately HK$1.1 million and HK$2.4 million respectively. The net other operating expenses mainly represented provision for impairment of trade receivables and loss on exchange differences due to the depreciation of RMB against US$ during the year as the liabilities which were denominated in US$ were larger than that of assets of the Group as at the year end.

Finance costs

The Group's finance costs represent interests on bank borrowings and a loan from the Remaining Group. The Group's total finance costs amounted to approximately HK$1.0 million, HK$2.9 million and HK$6.6 million for each of the three years ended 31 December 2016, respectively. The Group's total finance costs amounted to approximately HK$3.5 million and HK$5.4 million for the eight months ended 31 August 2016 and 2017, respectively. Finance costs increased in line with the total outstanding interest-bearing borrowings of the Group during the Track Record Period. The following tables set out the breakdown of the Group's interest-bearing borrowings as at the end of each year during the Track Record Period and the Group's finance costs for the years/periods indicated:

	As at 31 December 2014	**As at 31 December 2015**	**As at 31 December 2016**	**As at 31 August 2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank borrowings	59,962	78,432	192,822	228,528
Loan from the Remaining Group	–	19,387	–	–
Total	59,962	97,819	192,822	228,528

	Year ended 31 December 2014	**Year ended 31 December 2015**	**Year ended 31 December 2016**	**Eight months ended 31 August 2016**	**Eight months ended 31 August 2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Finance costs	1,003	2,866	6,583	3,463	5,396

Further details of the Group's bank borrowings are disclosed in the paragraph headed "Indebtedness" below in this section.

Income tax expense

The Group is subject to PRC enterprise income tax as its operating subsidiaries are located in the PRC. Pursuant to the EIT Law being effective on 1 January 2008, the income tax rate for all enterprises in the PRC is 25%. Tongda Suzhou was qualified as the "National High and New Technology Enterprises" with a validity period of three years on 30 November 2016. According to the Notice of Tax Matters issued by the State Administration of Taxation of Changshu Municipality on 10 February 2017, Tongda Suzhou was subject to the preferential rate of 15% starting from the year of ended 31 December 2016. For more details as to high and new technology enterprise, please refer to the section headed "Regulatory overview — Taxation — Enterprise income tax" in this prospectus.

The Group's income tax expense amounted to approximately HK$9.5 million, HK$10.2 million and HK$7.4 million for the three years ended 31 December 2016, respectively. The effective tax rate was approximately 26.7%, 28.4% and 23.5% for each of the three years ended 31 December 2016. The Group's income tax expense amounted to approximately HK$2.7 million and HK$4.0 million for the eight months ended 31 August 2016 and 2017, respectively and the effective tax rate was approximately 23.6% for the eight months ended 31 August 2017. The Group's income tax liability is different from the amount that would arise using the tax rate applicable to the profits of the Group. The following table sets out a comparison of the difference:

	Year ended 31 December			Eight months ended 31 August	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit before tax	35,497	35,931	31,490	929	17,039
Tax at the statutory tax rate	8,874	8,982	8,936	1,076	5,279
Lower applicable tax rate	–	–	(4,400)	(1,085)	(2,904)
Adjustments in respect of current tax of prior years	–	–	1,208	–	–
Expenses not deductible for tax	591	1,240	2,223	2,692	2,543
Income not subject to tax	–	–	(685)	(28)	(889)
Others	–	–	104	–	–
Tax charge at the Group's effective rate	9,465	10,222	7,386	2,655	4,029

COMPARISON OF RESULTS OF OPERATIONS

Comparison of the years ended 31 December 2016 and 31 December 2015

Revenue

The Group's revenue increased by approximately HK$41.2 million or 9.7% from approximately HK$422.7 million for the year ended 31 December 2015 to approximately HK$463.9 million for the year ended 31 December 2016. The increase was resulted from the combined effect of (i) increased sales to the Group's certain major customers, in particular to Compal Electronics, Inc., for certain existing and new models which mass production occurred during 2016; (ii) increased sales to new customers of the Group; (iii) increased orders from products using new production techniques including double-shot injection moulding and metal stamping with spray painting; and (iv) slightly offset by the drop in average unit price due to larger quantities of small components required by customers and the decreased demand from customers for products designed to require decorative techniques such as IMR which were generally sold at higher prices.

Cost of sales, gross profit and gross profit margin

The Group's cost of sales increased by approximately HK$26.6 million or 8.0% from approximately HK$334.1 million for the year ended 31 December 2015 to approximately HK$360.7 million for the year ended 31 December 2016, mainly attributable to (i) the increase in cost of materials used in production; (ii) the decrease in labour and social security cost as a combined result of decreased in average number of despatch workers and slightly offset by the increased basic salary; (iii) the increase in subcontracting fees which was for the increased subcontracting of outsourced spray painting, plastic injection, anodising and sputtering deposition services used in production; and (iv) the increase in depreciation expenses as a result of additions of production facilities including metal stamping machines and automation.

The overall gross profit margin slightly increased from 21.0% for the year ended 31 December 2015 to 22.3% for the year ended 31 December 2016, such improvement in the profit margin was mainly due to (i) the increase in the revenue recognised for notebook casing projects which adopted various decorations such as double-shot injection and auto-spraying with higher profit margins; and (ii) the increase in automation which lead to improved production efficiency and less direct labour were employed for production.

As a result of the foregoing, the Group's gross profit increased by approximately HK$14.6 million or 16.5% from approximately HK$88.6 million for the year ended 31 December 2015 to approximately HK$103.2 million for the year ended 31 December 2016.

Other income and gains, net

The Group's other income and gains decreased by approximately HK$1.0 million or 40.0% from approximately HK$2.5 million for the year ended 31 December 2015 to approximately HK$1.5 million for the year ended 31 December 2016. The decrease was mainly attributable to the combined effect of (i) slight increase in other income from the sale of scrap materials; which (ii) offset by the decrease in gain on exchange differences due to the depreciation of RMB against US$ during the year as the liabilities of the Group which were denominated in US$ were larger than that of the assets of the Group as at the year end.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately HK$1.8 million or 22.0% from approximately HK$8.2 million for the year ended 31 December 2015 to approximately HK$10.0 million for the year ended 31 December 2016. The increase was mainly attributable to the increase in the transportation costs for delivery of the Group's products and custom declaration charges due to the substantial increase in sales quantities of notebook casings for the year ended 31 December 2016, which was generally in line with the revenue growth.

General and administrative expenses

The Group's general and administrative expenses increased by approximately HK$12.5 million or 28.9% from approximately HK$43.3 million for the year ended 31 December 2015 to approximately HK$55.8 million for the year ended 31 December 2016. The increase was mainly attributable to (i) the increase in recognition of significant non-recurring Listing expenses of approximately HK$11.9 million during the year; (ii) the increase in staff cost and benefits of approximately HK$1.2 million due to salary increment; and (iii) the increase in business tax of approximately HK$1.1 million which was generally in line with the increase in domestic sales during the year.

Other operating expenses, net

The Group's other operating expenses, net increased by approximately HK$0.2 million or 28.6% from approximately HK$0.7 million for the year ended 31 December 2015 to approximately HK$0.9 million for the year ended 31 December 2016, which was mainly attributable to the increase in provision for impairment of trade receivables during the year ended 31 December 2016.

Finance costs

The Group's finance costs increased by approximately HK$3.7 million or 127.6% from approximately HK$2.9 million for the year ended 31 December 2015 to approximately HK$6.6 million for the year ended 31 December 2016, primarily due to an increase in interest expenses resulting from an increase in financing from banks during the year ended 31 December 2016 for working capital purposes.

Profit before tax

Profit before tax decreased by approximately HK$4.4 million or 12.3% from approximately HK$35.9 million for the year ended 31 December 2015 to approximately HK$31.5 million for the year ended 31 December 2016, which was mainly due to the combined effect of (i) the increase in revenue principally resulted from the increased sales of notebook casings to the Group's major customers; (ii) the increase in gross profit of approximately HK$14.6 million; (iii) the increase in general and administrative expenses due to increased staff costs and Listing expenses of the Group; and (iv) the increase in finance costs of approximately HK$3.7 million due to the increase in financing from banks.

If the Listing expenses of HK$0.6 million and approximately HK$12.5 million were excluded for each of the two years ended 31 December 2016 respectively, the Group would have recorded a profit before tax of approximately HK$36.5 million and HK$44.0 million for each of the two years ended 31 December 2016, which represented an increase of approximately HK$7.5 million or 20.5% over the two years ended 31 December 2016.

Income tax expense

The Group's income tax expense decreased by approximately HK$2.8 million or 27.5% from approximately HK$10.2 million for the year ended 31 December 2015 to approximately HK$7.4 million for the year ended 31 December 2016, which was mainly due to the combined effect of (i) decrease in profit before tax during the year ended 31 December 2016 as explained above; (ii) increase in Listing expenses recognised during the year which were not deductible for tax purposes; and (iii) a preferential tax rate of 15.0% was applied during the year ended 31 December 2016 to the operating subsidiary of Group, Tongda Suzhou, as it was recognised as "high and new technology enterprise" since November 2016. As a result, the effective tax rate decreased from approximately 28.4% for the year ended 31 December 2015 to approximately 23.5% for the year ended 31 December 2016.

Profit for the year

The Group's profit for the year decreased by approximately HK$1.6 million or 6.2% from approximately HK$25.7 million for the year ended 31 December 2015 to approximately HK$24.1 million for the year ended 31 December 2016, which was mainly due to the combined effect of the above.

If the Listing expenses of HK$0.6 million and approximately HK$12.5 million were excluded for each of the two years ended 31 December 2016, the Group would have recorded a profit for the year of approximately HK$26.3 million and HK$36.6 million for each of the two years ended 31 December 2016, which represented an increase of approximately HK$10.3 million or 39.2% over the two years ended 31 December 2016. The increase in net profit after adjusting the Listing expenses for the year ended 31 December 2016 was mainly attributable to (i) the increase in gross profit of approximately HK$14.6 million; (ii) the increase in administrative expenses (excluding the effect of Listing expenses) of approximately HK$0.6 million primarily due to the increase in staff cost and benefits and business tax; (iii) the increase in other operating expenses of approximately HK$0.2 million for foreign exchange loss due to the depreciation of RMB against US$; and (iv) the increase in finance costs of approximately HK$3.7 million due to the increase in bank borrowings.

Comparison of the years ended 31 December 2015 and 31 December 2014

Revenue

The Group's revenue increased by approximately HK$46.4 million or 12.3% from approximately HK$376.3 million for the year ended 31 December 2014 to approximately HK$422.7 million for the year ended 31 December 2015. The increase was primarily due to (i) an increase of approximately 3.1 million units or 17.9% of sales quantities of notebook casings from approximately 17.3 million units for the year ended 31 December 2014 to approximately 20.4 million units for the year ended 31 December 2015; and (ii) an increase of approximately HK$5.7 per unit or 40.1% of average selling price of notebook casings from approximately HK$14.2 per unit for the year ended 31 December 2014 to approximately HK$19.9 per unit for the year ended 31 December 2015. The increase in sales quantities of notebook casings was mainly attributable to the increased sales orders from the Group's customer while the increase in average selling price of notebook casings was mainly attributable to (i) the increased demand from customers for notebook casings designed to require decorative techniques such as IMR which were generally sold at higher average prices; and (ii) the increase in quantities of accessories and components required for the notebook casing products according to customers' specifications.

This was partially offset by (i) a decrease of approximately 5.7 million units of sales quantities of tablet casings from approximately 6.4 million units for the year ended 31 December 2014 to approximately 0.7 million units for the year ended 31 December 2015; and (ii) a decrease of approximately HK$4.6 per unit or 23.1% of average selling price of tablet casings from approximately HK$19.9 per unit for the year ended 31 December 2014 to approximately HK$15.3 per unit for the year ended 31 December 2015. The decrease in sales quantities of tablet casings was mainly attributable to the decreased sales orders from an existing customer as certain tablet casing projects substantially completed in early 2015 while the decrease in average selling price of tablet casings was mainly attributable to the decreased demand from customers for tablet casings designed to require decorative techniques such as IMR which were generally sold at higher average prices.

Cost of sales, gross profit and gross profit margin

The Group's cost of sales increased by approximately HK$41.0 million or 14.0% from approximately HK$293.1 million for the year ended 31 December 2014 to approximately HK$334.1 million for the year ended 31 December 2015. The cost of materials increased by approximately HK$24.3 million, or 14.1% from approximately HK$172.3 million for the year ended 31 December 2014 to approximately HK$196.6 million for the year ended 31 December 2015.

The Group also experienced increase for the year ended 31 December 2015, as compared with the year ended 31 December 2014, in direct labour cost of approximately HK$11.9 million or 22.8%, from approximately HK$52.1 million for the year ended 31 December 2014 to approximately HK$64.0 million for the year ended 31 December 2015, mainly due to the substantial increase in sales quantities of notebook casings for the year ended 31 December 2015.

Cost of sales of the Group as a percentage of revenue increased from 77.9% for the year ended 31 December 2014 to 79.0% for the year ended 31 December 2015 because of the continuous increase in the cost of materials and direct labour costs for the Group's products for the year ended 31 December 2015 as compared with the year 31 December 2014.

As a result of the foregoing, the Group's gross profit increased by approximately HK$5.4 million or 6.5% from approximately HK$83.2 million for the year ended 31 December 2014 to approximately HK$88.6 million for the year ended 31 December 2015, and the Group's gross profit margin slightly decreased from 22.1% for the year ended 31 December 2014 to 21.0% for the year ended 31 December 2015.

Other income and gains, net

The Group's other income and gains, net increased by approximately HK$1.1 million or 78.6% from approximately HK$1.4 million for the year ended 31 December 2014 to approximately HK$2.5 million for the year ended 31 December 2015. The significant increase was mainly attributable to the increase in foreign exchange differences of approximately HK$2.1 million from nil for the year ended 31 December 2014 to net gain of approximately HK$2.1 million for the year ended 31 December 2015 mainly arising from the depreciation of the RMB against the US Dollar during the year. This was partially offset by a decrease in other income recognised for the sale of scrap materials of approximately HK$1.0 million from approximately HK$1.3 million for the year ended 31 December 2014 to approximately HK$0.3 million for the year ended 31 December 2015.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately HK$0.6 million or 7.9% from approximately HK$7.6 million for the year ended 31 December 2014 to approximately HK$8.2 million for the year ended 31 December 2015. The increase was mainly attributable to the increase in the transportation costs for delivery of the Group's products, custom declaration charges and others due to the substantial increase in sales quantities of notebook casings for the year ended 31 December 2015, which was in line with the revenue growth.

General and administrative expenses

The Group's general and administrative expenses increased by approximately HK$4.1 million or 10.5% from approximately HK$39.2 million for the year ended 31 December 2014 to approximately HK$43.3 million for the year ended 31 December 2015. The increase was mainly attributable to (i) the increase in research and development costs of approximately HK$1.8 million mainly as a result of the increased cost of labour during the year; and (ii) the increase in office expenses of approximately HK$1.6 million, which was in line with the revenue growth.

Other operating expenses, net

The Group's other operating expenses, net decreased by approximately HK$0.7 million or 50.0% from operating expenses, net of approximately HK$1.4 million for the year ended 31 December 2014 to approximately HK$0.7 million for the year ended 31 December 2015, mainly attributable to (i) the decrease in amount of net loss on exchange differences from approximately HK$1.4 million for the year ended 31 December 2014 to nil for the year ended 31 December 2015 due to the depreciation of the RMB against the US Dollar during the year; and (ii) partially offset by the increase in provision for impairment of trade receivables from nil for the year ended 31 December 2014 to approximately HK$0.7 million for the year ended 31 December 2015.

Finance costs

The Group's finance costs increased by approximately HK$1.9 million or 190.0% from approximately HK$1.0 million for the year ended 31 December 2014 to approximately HK$2.9 million for the year ended 31 December 2015, primarily due to an increase in interest expenses resulting from an increase in financing from a bank and the Remaining Group during the year ended 31 December 2015 for working capital purposes.

Profit before tax

Due to the combined effect of the factors mentioned above, the Group's profit before tax increased by approximately HK$0.4 million or 1.1% from approximately HK$35.5 million for the year ended 31 December 2014 to approximately HK$35.9 million for the year ended 31 December 2015. The operating profit margin of the Group remained at approximately 9.4% and 8.5% for the two years ended 31 December 2014 and 2015, respectively.

Income tax expense

The Group's income tax expense increased by approximately HK$0.7 million or 7.4% from approximately HK$9.5 million for the year ended 31 December 2014 to approximately HK$10.2 million for the year ended 31 December 2015, which was mainly due to the effect of increase in profit before tax during the year ended 31 December 2015 as explained above. The higher effective tax rate of approximately 28.4% for the year ended 31 December 2015, as compared to the effective tax rate of approximately 26.7% for the year ended 31 December 2014, was due to the increase in amount of expenses not deductible for tax for the year ended 31 December 2015.

Profit for the year

Due to the combined effect of the factors mentioned above, the Group's profit for the year decreased by approximately HK$0.3 million or 1.2% from approximately HK$26.0 million for the year ended 31 December 2014 to approximately HK$25.7 million for the year ended 31 December 2015. The net profit margin of the Group remained at approximately 6.9% and 6.1% for the two years ended 31 December 2014 and 2015, respectively.

Comparison of the eight months ended 31 August 2017 and 31 August 2016

Revenue

The Group's revenue increased by approximately HK$93.7 million or 36.3% from HK$257.8 million for the eight months ended 31 August 2016 to HK$351.5 million for the eight months ended 31 August 2017. The increase in revenue was mainly as a result of a combined effect of (i) an increase in revenue of approximately HK$124.0 million derived from Brand B notebook casing products which were mainly sold to Compal Electronics, Inc.; and (ii) offset by the decrease in revenue of approximately HK$30.2 million derived from Brand A notebook casing products which were mainly sold to Quanta Computer Inc..

Cost of sales, gross profit and gross profit margin

The Group's cost of sales increased by approximately HK$74.9 million or 35.9% from HK$208.4 million for the eight months ended 31 August 2016 to HK$283.3 million for the eight months ended 31 August 2017, mainly due to the increased subcontracting fees and cost of materials.

The overall gross profit margin increased from 19.2% for the eight months ended 31 August 2016 to 19.4% for the eight months ended 31 August 2017, such improvement in the profit margin was mainly due to (i) the increase in sales of products with decoration such as spray painting, anodising and double-shot injection with higher profit margins; and (ii) the increase in automation which led to improved production efficiency and therefore, less direct labour were employed for production.

As a result of the foregoing, the Group's gross profit increased by approximately HK$18.8 million or 38.1% from approximately HK$49.4 million for the eight months ended 31 August 2016 to approximately HK$68.2 million for the eight months ended 31 August 2017.

Other income and gains, net

The Group's other income and gains increased by approximately HK$2.7 million or 225.0% from approximately HK$1.2 million for the eight months ended 31 August 2016 to approximately HK$3.9 million for the eight months ended 31 August 2017. The increase was primarily due to the combined effect of (i) increase in government grants received by the Group of approximately HK$3.6 million; and (ii) decrease in income derived from sale of scrap materials of approximately HK$0.8 million.

Selling and distribution expenses

The Group's selling and distribution expenses slightly increased by approximately HK$0.2 million or 3.0% from approximately HK$6.7 million for the eight months ended 31 August 2016 to approximately HK$6.9 million for the eight months ended 31 August 2017. The slight increase was mainly attributable to increase in transportation costs for delivery of the Group's products which partially offset by the decrease in customs declaration and entertainment expenses.

General and administrative expenses

The Group's general and administrative expenses slightly increased by approximately HK$2.0 million or 5.2% from approximately HK$38.4 million for the eight months ended 31 August 2016 to approximately HK$40.4 million for the eight months ended 31 August 2017. The slight increase was mainly attributable to the combined effect of (i) the increase in non-recurring Listing expenses of approximately HK$1.2 million and the increase in research and development costs of approximately HK$2.0 million due to the increase in staff costs for the research and development projects engaged by the Group; and (ii) the decrease in business tax and customs declaration charges of approximately HK$0.8 million during the period.

Other operating income/(expenses), net

The Group's other operating expenses increased by approximately HK$1.3 million from approximately HK$1.1 million for the eight months ended 31 August 2016 to approximately HK$2.4 million for the eight months ended 31 August 2017. The increase in net operating expenses was mainly attributable to (i) the increase in exchange loss due to the depreciation of RMB against US$; and (ii) the slight increase in provision of accounts receivables during the period.

Finance costs

The Group's finance costs increased by approximately HK$1.9 million or 54.3% from approximately HK$3.5 million for the eight months ended 31 August 2016 to approximately HK$5.4 million for the eight months ended 31 August 2017, primarily due to an increase in interest expenses on the Group's bank borrowings resulting from an increase in financing from banks during the eight months ended 31 August 2017 for working capital purposes.

Profit before tax

Profit before tax increased by approximately HK$16.1 million from approximately HK$0.9 million for the eight months ended 31 August 2016 to approximately HK$17.0 million for the eight months ended 31 August 2017, which was mainly due to the combined effect of (i) the increase in gross profit of approximately HK$18.8 million; (ii) the increase in other income and gains of approximately HK$2.7 million; (iii) the slight increase in selling and distribution expenses, general and administrative expenses and other operating expenses net of approximately HK$3.5 million in aggregate; and (iv) the increase in finance costs of approximately HK$1.9 million.

If the Listing expenses of approximately HK$10.1 million and HK$11.4 million were excluded, the Group would have recorded profit before tax of approximately HK$11.1 million and HK$28.4 million for the eight months ended 31 August 2016 and 2017 respectively, which represented an increase of approximately HK$17.3 million.

Income tax expense

The Group's income tax expense increased by approximately HK$1.3 million or 48.1% from approximately HK$2.7 million for the eight months ended 31 August 2016 to approximately HK$4.0 million for the eight months ended 31 August 2017, which was mainly due to the increase in profit before tax as explained above.

Profit/(loss) for the period

The Group's profit for the period increased by approximately HK$14.7 million from loss for period of approximately HK$1.7 million for the eight months ended 31 August 2016 to profit for the period of approximately HK$13.0 million for the eight months ended 31 August 2017, which was mainly due to the combined effect of the above.

If the Listing expenses of approximately HK$10.1 million and HK$11.4 million were excluded, the Group would have recorded a profit after tax of approximately HK$8.4 million and HK$24.4 million for the eight months ended 31 August 2016 and 2017 respectively, which represented an increase of approximately HK$16.0 million.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity management policies

The Group's liquidity management policies include (i) the regular and close monitoring of cash level and banking facilities utilisation; and (ii) the vigilant assessment of the collectability and recoverability of the trade receivables and inventory balances.

For the three years ended 31 December 2016 and the eight months ended 31 August 2017, the Group's inventory turnover days were 127.7 days, 176.5 days, 199.3 days and 198.3 days, respectively. The Directors consider that the increasing inventory turnover days during the Track Record Period was primarily due to that (i) the Group is under vigorous business expansion as evidenced by its revenue growth at the CAGR of approximately 11.0% for the three years ended 31 December 2016; (ii) the increasing size of sales orders received from customers; and (iii) the increasing number of projects undertaken by the Group of approximately 79, 98 and 115 for the three years ended 31 December 2016, respectively.

The Directors are aware that the lengthened inventory turnover days may exert pressure on the Group's liquidity position. Having considered that the lengthened inventory turnover days was resulted from business expansion of the Group instead of impaired marketability of products as evidenced by the relatively immaterial amount of provision for inventories during the Track Record Period, the Directors are of the view that such lengthened inventory turnover days was a temporary trade-off to the drastic growth in business scale of the Group under limited production capacity. The Directors will continue to closely monitor the cash level and financial resources available to the Group after Listing and consider to improve cash flows by decelerating the taking up of production request from customers if liquidity position of the Group deteriorates.

For the three years ended 31 December 2016 and the eight months ended 31 August 2017, the difference between trade and bills receivables turnover days and trade payables turnover days were 49.2 days, 50.1 days, 75.4 days and 80.2 days respectively. The Directors considered that the widened gap, in particular for the year ended 31 December 2016 was mainly due to a combined effect of (i) lengthened trade and bills receivables turnover days arising from an increase in proportion of sales made to certain major customers which had longer credit period during the year ended 31 December 2016; and (ii) faster settlement to suppliers by the Group as a result of the increased cash flows drawn from bank facilities during the year. The Group will closely monitor the cash conversion cycle and its effect on the Group's liquidity position. If the liquidity position deteriorates, the Group may decelerate the taking up of production request to manage the magnitude of such cash flow mismatch and consider the use of different short term financing including factoring and bill discounting to satisfy the liquidity requirement. During the Track Record Period, the Group did not experience negative cash and bank balance and therefore, the Directors consider that the Group's liquidity management policies currently in place are effective.

Sources of liquidity

The liquidity requirements of the Group primarily relate to working capital needs and the expansion and upgrade of the Group's production facilities. During the Track Record Period, the Group's operations were generally financed through a combination of shareholder's equity, internally generated cash flows, bank borrowings and advancement from the Remaining Group (before completion of the Reorganisation). Following completion of the Spin-off and the Listing, the Group will continue to rely on cash generated from the Group's business operations and banking facilities to support the Group's liquidity needs. With the listing status on the Main Board, the Group will have access to capital markets and would have additional fund raising method by way of equity. As of 31 August 2017, the Group had cash and bank balances of approximately HK$13.8 million.

Furthermore, the Group intends to use proceeds from the Share Offer to be one of its primary sources to fund its capital expenditures in the coming period. However, the Group's ability to obtain additional funding required for increased capital expenditures in the future beyond its anticipated cash needs for the next 12 months following the date of this prospectus is subject to a variety of uncertainties, including the future results of the Group's operations, financial condition and cash flows and economic, political and other conditions in the PRC and elsewhere. The issue of additional equity or equity-linked securities may result in additional dilution to the Shareholders.

Cash flows

The following tablet sets forth selected cash flows data from the Group's consolidated statements of cash flows for the years/periods indicated:

	Year ended 31 December			Eight months ended 31 August	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net cash flows used in operating activities	(23,390)	(60,420)	(152,919)	(155,891)	(39,280)
Net cash flows used in investing activities	(23,404)	(21,922)	(8,759)	(6,583)	(15,354)
Net cash flows from financing activities	59,962	104,517	154,553	139,216	37,483
Net increase/(decrease) in cash and bank balances	13,168	22,175	(7,125)	(23,258)	(17,151)
Cash and bank balances at beginning of year/period	7,647	20,813	41,136	41,136	31,349
Effect of foreign exchange rate changes, net	(2)	(1,852)	(2,662)	(2,555)	(403)
Cash and bank balances at end of year/period	20,813	41,136	31,349	15,323	13,795

Net cash flows used in operating activities

The Group generates its cash inflow from operating activities principally from cash receipts from customers upon the sales of notebook and tablet casings. The Group's cash outflow from operating activities is principally for the purchase of materials, staff and labour costs, rental expenses and all other operating expenses. Net cash generated from operations primarily consisted of profit before tax adjusted for finance costs, depreciation, bank interest income, loss on disposal of items property, plant and equipment, impairment of trade receivables, provision or write-back of provision for inventories, and the effect of changes in working capital such as increase or decrease in inventories, trade and bills receivables and payables.

The following tablet sets forth a reconciliation of the Group's profit before tax to net cash flows used in operating activities:

	Year ended 31 December			Eight months ended 31 August	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit before tax	35,497	35,931	31,490	929	17,039
Adjustments for:					
Finance costs	1,003	2,866	6,583	3,463	5,396
Depreciation	18,386	19,412	20,280	13,729	13,733
Bank interest income	(36)	(55)	(125)	(98)	(78)
Loss on disposal of items of property, plant and equipment	3	–	–	–	7
Impairment of trade receivables	–	669	871	517	703
Provision/(write-back of provision) for inventories	–	1,930	(409)	(188)	2,172
Operating cash flows before movements in working capital	54,853	60,753	58,690	18,352	38,972
Increase in inventories	(83,284)	(64,076)	(33,874)	(52,765)	(43,643)
Decrease/(increase) in trade and bills receivables	(40,051)	9,476	(80,533)	(14,072)	21,856
Decrease/(increase) in prepayments, deposits and other receivables	(5,500)	6,822	(1,565)	1,623	(16,487)
Increase/(decrease) in balances with the Remaining Group	27,584	(45,705)	(82,832)	(82,723)	(17,740)
Increase/(decrease) in trade payables	36,341	(21,241)	15,801	(8,541)	(2,516)
Increase/(decrease) in other payables and accruals	(407)	7,412	(6,320)	(2,581)	(9,355)
Exchange realignment	271	212	(4,582)	(4,473)	(2,649)
Cash used in operations	(10,193)	(46,347)	(135,215)	(145,180)	(31,562)
Interest paid	(1,003)	(2,479)	(6,583)	(3,850)	(5,396)
Overseas taxes paid	(12,194)	(11,594)	(11,121)	(6,861)	(2,322)
Net cash flows used in operating activities	(23,390)	(60,420)	(152,919)	(155,891)	(39,280)

Cash flows used in operating activities can be affected considerably by factors such as the amount and timing of collection of trade and bills receivables from customers as well as the amount and timing of payment of trade payables to suppliers during the Group's ordinary course of business. During the Track Record Period, the Group's cash flows used in operating activities were also affected by the movement of inventories.

For the year ended 31 December 2014, the Group recorded net cash used in operating activities of approximately HK$23.4 million, primarily as a result of the combined effect of (i) the operating profit generated by the Group during the year ended 31 December 2014 as the Group recorded profitable financial performance from its operation during the year; (ii) cash generated from increased outstanding payables that had not been settled to suppliers due to the growth in the Group's business; (iii) cash generated from the increase in balances with the Remaining Group; which (iv) offset by the use of cash in purchasing materials for production and the increase in trade payables to suppliers.

For the year ended 31 December 2015, the Group recorded net cash used in operating activities of approximately HK$60.4 million, primarily as a result of the combined effect of (i) the operating profit generated by the Group during the year ended 31 December 2015 as the Group recorded profitable financial performance from its operation during the year; (ii) the decrease in amount due to the Remaining Group; (iii) the use of cash in purchasing materials for production; and (iv) cash generated from faster settlement of trade receivables from customers.

For the year ended 31 December 2016, the Group recorded net cash used in operating activities of approximately HK$152.9 million, primarily as a result of the combined effect of (i) the operating profit generated by the Group during the year ended 31 December 2016; (ii) the increase in trade and bills receivables from customers mainly due to increased sales to customers during the year ended 31 December 2016; (iii) the increase in inventories mainly due to the use of cash in purchasing materials for mass production and (iv) the decrease in balances with the Remaining Group.

For the eight months ended 31 August 2017, the Group recorded net cash used in operating activities of approximately HK$39.3 million, primarily as a result of the combined effect of (i) the operating profit generated by the Group as it recorded profitable financial performance from its operation during the period; (ii) the increase in settlement of trade receivables along with the increase in sales during the period; (iii) the decrease in balances with the Remaining Group; and (iv) the use of cash in purchasing and prepaying for production materials, as well as settle payments to suppliers.

Net cash flows used in investing activities

During the Track Record Period, the Group's cash inflows from investing activities included interest received from bank deposits, and decrease in restricted bank balances, while the Group's cash outflows from investing activities included cash used in purchases of property, plant and equipment, increase in long term deposits and restricted bank balances.

For the year ended 31 December 2014, the Group recorded cash flows used in investing activities of approximately HK$23.4 million, which was mainly due to cash used in (i) increase in long term deposits and restricted bank balances which amounted to an aggregate of approximately HK$17.7 million; and (ii) purchase of property, plant and equipment which amounted to an aggregate of approximately HK$5.7 million.

For the year ended 31 December 2015, the Group recorded cash flows used in investing activities of approximately HK$21.9 million, which was mainly due to (i) cash used in purchase of property, plant and equipment which amounted to an aggregate of approximately HK$19.1 million; and (ii) the increase in long term deposits which amounted to approximately HK$2.3 million.

For the year ended 31 December 2016, the Group recorded net cash used in investing activities of approximately HK$8.8 million, which was mainly due to cash used in purchase of machineries and long term deposits paid in relation to the purchase of machineries for the Group's production.

For the eight months ended 31 August 2017, the Group recorded net cash used in investing activities of approximately HK$15.4 million, which was mainly due to cash used in the purchase of machineries and long term deposits paid in relation to the purchase of machineries for the Group's production.

Net cash flows from financing activities

During the Track Record Period, the Group's cash inflows from financing activities mainly included proceeds from new bank loans, capital contribution from Remaining Group and loan from the Remaining Group, while the Group's cash outflows from financing activities mainly included repayment of bank loans.

For the year ended 31 December 2014, the Group recorded net cash generated from financing activities of approximately HK$60.0 million, which was mainly due to cash generated from the proceeds from new bank loans of approximately HK$170.6 million, partially offset by repayment of bank loans of approximately HK$110.6 million.

For the year ended 31 December 2015, the Group recorded net cash generated from financing activities of approximately HK$104.5 million, which was mainly due to cash generated from the proceeds from new bank loans of approximately HK$170.3 million, proceeds from capital contribution from the Remaining Group of approximately HK$65.0 million and proceeds from loan from the Remaining Group of approximately HK$19.0 million, partially offset by repayment of bank loans of approximately HK$151.8 million.

For the year ended 31 December 2016, the Group recorded net cash generated from financing activities of approximately HK$154.6 million, which was mainly due to cash generated from the proceeds from new bank loans of approximately HK$279.9 million and capital contributions from the Remaining Group of approximately HK$55.0 million, partially offset by repayment of bank loans of approximately HK$165.5 million.

For the eight months ended 31 August 2017, the Group recorded net cash generated from financing activities of approximately HK$37.5 million, which was mainly due to proceeds from new bank loans of approximately HK$243.4 million and partially offset by cash used in repayment of bank loans of approximately HK$207.7 million.

Capital expenditures

The Group's capital expenditure during the three years ended 31 December 2016 and the eight months ended 31 August 2017 were primarily used for the purchase of property, plant and equipment in the total amount of approximately HK$6.1 million, HK$34.0 million, HK$8.0 million and HK$9.7 million, respectively. During the Track Record Period, the Group mainly incurred capital expenditures for (i) leasehold improvements, plant and machinery in respect of the Changshu Factory for use in the Group's operations; (ii) furniture fixtures for the Group's various premises; (iii) motor vehicles; and (iv) construction in progress.

The following table sets forth the Group's capital expenditure for the years indicated:

	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2016	As at 31 August 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Leasehold improvements	–	1,550	1,162	79
Plant and machinery	2,899	27,786	4,011	9,363
Furniture fixtures and office equipment	693	724	1,189	56
Motor vehicles	–	–	–	182
Construction in progress	2,521	3,986	1,598	–
	6,113	34,046	7,960	9,680

The Group expects that the total capital expenditure, principally on the purchase of property, plant and equipment, for the year ended 31 December 2017 and the year ending 2018 to be approximately HK$18.5 million and HK$43.8 million, respectively, of which nil and HK$38.1 million shall be financed by the proceeds from the Share Offer. The Group's remaining capital expenditure is expected to be funded by cash generated from the Group's operating activities and available banking facilities.

NET CURRENT (LIABILITIES)/ASSETS

The following table sets out details of the current assets and liabilities as at the dates indicated:

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 31 August 2017	As at 2 January 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current assets					
Inventories	173,283	235,429	269,712	311,183	342,366
Trade and bills receivables	145,442	135,297	214,959	192,400	214,785
Prepayments, deposits and other receivables	12,936	6,114	7,679	24,166	26,375
Due from the Remaining Group	1,102	–	180	734	877
Restricted bank balances	4,003	3,984	4,636	5,098	5,234
Cash and bank balances	20,813	41,136	31,349	13,795	24,323
	357,579	421,960	528,515	547,376	613,960
Current liabilities					
Trade payables	92,939	71,698	87,499	84,983	101,194
Other payables and accruals	55,545	62,957	56,637	47,282	47,309
Due to the Remaining Group	190,478	143,671	61,019	43,822	46,998
Loan from the Remaining Group	–	19,387	–	–	–
Interest-bearing bank borrowings	59,962	78,432	192,822	228,528	256,494
Tax payable	5,317	3,945	210	1,917	2,060
	404,241	380,090	398,187	406,532	454,055
Net current (liabilities)/assets	(46,662)	41,870	130,328	140,844	159,905

The Group's current assets primarily comprise inventories, trade and bills receivables, prepayments, deposits and other receivables, amounts due from the Remaining Group, tax recoverable, restricted bank balances deposits and cash and bank balances. The Group's current liabilities primarily comprise trade payables, other payables and accrued liabilities, amounts due to the Remaining Group, loan from the Remaining Group, interest-bearing bank borrowings and tax payable.

As of 31 December 2014, the Group recorded net current liabilities of approximately HK$46.7 million. Current assets of the Group as at 31 December 2014 mainly comprised cash and bank balances (excluding restricted bank balances) of approximately HK$20.8 million, trade and bills receivables of approximately HK$145.4 million, prepayments, deposits and other receivables of approximately HK$12.9 million and inventories of approximately HK$173.3 million while current liabilities of the Group mainly comprised balances due to the Remaining Group of approximately HK$190.5 million, trade payables of approximately HK$92.9 million, other payables and accruals of approximately HK$55.5 million and interest-bearing bank borrowings of approximately HK$60.0 million.

As at 31 December 2015, the Group ceased to be in a net current liabilities position and recorded net current assets of approximately HK$41.9 million, which was primarily as a result of (i) an increase in inventories of approximately HK$62.1 million; (ii) an increase in cash and bank balances of approximately HK$20.3 million as more cash inflow was recorded from its financing activities; (iii) a decrease in the balances due to the Remaining Group of approximately HK$46.8 million; and (iv) a decrease in trade payables of approximately HK$21.2 million. These amounts were partially offset by (i) a decrease in trade and bills receivables of HK$10.1 million; (ii) a decrease in prepayments, deposits and other receivables of approximately HK$6.8 million; (iii) an increase in loan from the Remaining Group of approximately HK$19.4 million; and (iv) an increase in interest-bearing bank borrowings of approximately HK$18.4 million.

As at 31 December 2016, the Group recorded net current assets of approximately HK$130.3 million, which was primarily due to the increase in inventories and trade and bills receivables along with the continued growth of the Group's manufacturing business.

As at 31 August 2017, the Group's net current assets further increased to approximately HK$140.8 million, which was primarily due to the increase in inventories along with the continued growth of business which offset by the increase in bank borrowings.

As at 2 January 2018, being the latest practicable date for ascertaining the Group's net current assets position, the net current assets of the Group increased to approximately HK$159.9 million, mainly due to the increase in trade and bills receivables which was in line with the increased sales during the period from 1 September 2017 to 2 January 2018 as compared to that during the eight months ended 31 August 2017.

INVENTORIES ANALYSIS

The Group's inventories primarily consist of raw materials, work in progress and finished goods. As of 31 December 2014, 2015, 2016 and 31 August 2017, the Group's inventories were approximately HK$173.3 million, HK$235.4 million, HK$269.7 million and HK$311.2 million, respectively. As at 31 December 2014, 2015, 2016 and 31 August 2017, moulds of approximately HK$4.3 million, HK$3.1 million, HK$2.0 million and HK$1.9 million were included in the finished goods. The following table sets out the inventory balance by status as at the end of each year of the Track Record Period:

	As at 31 December						As at 31 August	
	2014		2015		2016		2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Raw materials	52,566	30.3	47,403	20.1	28,608	10.6	39,363	12.6
Work in progress	49,636	28.7	64,921	27.6	71,342	26.5	106,501	34.2
Finished goods	71,081	41.0	123,105	52.3	169,762	62.9	165,319	53.2
Total	**173,283**	**100.0**	**235,429**	**100.0**	**269,712**	**100.0**	**311,183**	**100.0**

The Group's inventories increased by approximately HK$62.1 million or 35.8%, from HK$173.3 million as at 31 December 2014 to approximately HK$235.4 million as at 31 December 2015, primarily because

(i) the Group's decision to start its mass production earlier to increase the production output during the last quarter of 2015 to cope with the increased customers' production requests for the first quarter in 2016 as well as to accommodate the mould fabrication and testing requests for certain new projects and such increased amount of inventory were subsequently delivered in 2016; Mould fabrication and testing requests for certain new projects occupied certain injection moulding machines and hindered the Group's production capacity during the last quarter of 2015. Therefore the Group decided to start its mass production earlier to cope with the customers' production requests for the first quarter in 2016, while such increase in inventory output contributed approximately HK$9.4 million as at 31 December 2015.

(ii) increase in production requests of approximately HK$7.8 million from first quarter of 2015 of approximately HK$97.1 million to first quarter of 2016 of approximately HK$104.9 million; and

(iii) increase in inventories of approximately HK$29.0 million in relation to the extension of sales delivery orders of certain notebook casing projects during the end of 2015.

The Group's inventories increased by approximately HK$34.3 million or 14.6%, from HK$235.4 million as at 31 December 2015 to approximately HK$269.7 million as at 31 December 2016, primarily due to the increase in production requests from customers of approximately HK$16.2 million from first quarter of 2016 of approximately HK$104.9 million to first quarter of 2017 of approximately HK$121.1 million.

The Group's inventories increased by approximately HK$41.5 million or 15.4%, from approximately HK$269.7 million as at 31 December 2016 to approximately HK$311.2 million as at 31 August 2017, primarily due to (i) increase in work-in-progress of approximately HK$35.2 million mainly as a result from the mass production of two new notebook casing projects under Brand B since March 2017 which accounted for approximately HK$31.8 million; (ii) increase in raw materials of approximately HK$10.8 million; and (iii) offset by the decrease in finished goods of approximately HK$4.4 million mainly as a result of the continuous delivery of a major notebook casing project under Brand J during the eight months ended 31 August 2017.

Inventory management

There is no minimum inventory level to be kept under the Group's inventory management policy while the Group generally keeps raw materials for 30 to 60 days and finished goods for 30 to 90 days. The production lead time is approximately 30 to 60 days. In certain case, the finished goods can be kept beyond 90 days depending on the requirement of the customer. The production requests provided by customers generally include the amount of inventories required to be purchased and kept by the Group. The management then plans the actual production schedule based on customers' confirmed purchase orders and regular updates on the delivery schedule which could vary due to factors including change in launching progress of notebook and tablet by brand owners that leads to extension of sales delivery orders. The level of the Group's raw materials, work-in-progress and finished goods is mainly affected by production requests and purchase orders provided by the customers. During the Track Record Period, the finished goods turnover days was 50 days, 84 days, 115 days and 114 days for the three years ended 31 December 2016 and eight months ended 31 August 2017 respectively. The finished goods turnover days for the year ended 31 December 2016 and eight months ended 31 August 2017 were slightly beyond the upper limit of 90 days which was mainly attributable to the special requirement of projects under Brand J and Brand B, the exclusion of which would reduce the finished goods turnover days from 115.2 days to 88.0 days and 79.9 days for the respective periods.

The Directors are of the view that the inventory is produced at the request from customers and the finished goods turnover days and subsequent sales are within the tolerance level. Therefore, the Directors uphold the inventory provision policies currently adopted by the Group and will continue to follow-up with the relevant customers to discuss the adjusted expected delivery time and quantity from time to time, in order to accommodate the Group's production schedule.

For each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, the Group's estimated maximum production capacity of the Group's key components of notebook and tablet casings amounted to approximately 11.7 million units, 14.6 million units, 19.0 million units and 12.5 million units while the average monthly maximum production capacity was approximately 1.0 million units, 1.2 million units, 1.6 million units and 1.6 million units, respectively. Since the size of sales orders from customers could exceed the average monthly maximum production capacity of the Group due to seasonality effect throughout a year, the management usually plans the actual production schedule in advance in order to accommodate large quantities of customers' orders during the peak seasons.

The Group has established inventory management policies, such as regularly monitoring of inventory balances and the ageing analysis of inventories. In relation to any material extension of sales delivery orders, the Group will actively control the inventory levels through negotiation with brand owners and OEM customers as to understand and confirm the estimated production size of relevant projects. The Group will follow-up with the relevant customers to discuss the adjusted expected delivery time and quantity, in order to accommodate the Group's production schedule accordingly.

The Directors considered that the inventory management policies were effective as evidenced by (i) the relatively immaterial amount of provision for inventories of nil, approximately HK$1.9 million, HK$1.4 million and HK$3.6 million as at the year ended 31 December 2014, 2015, 2016 and 31 August 2017, which represented nil, 0.8%, 0.5% and 1.2% of the Group's total inventory balances as at 31 December 2014, 2015, 2016 and 31 August 2017, respectively; and (ii) the subsequent usage/sales of the Group's inventories as at 31 August 2017 of approximately 80.6% up to the Latest Practicable Date. The immaterial amount of provision for inventories during the Track Record Period indicated that the Group has an effective control over the marketability and recoverability of the inventory. The Group will continue to remain vigilant in controlling inventory levels and consider to decelerate the taking up of production request from customers in the condition that the inventory level impairs the liquidity position of the Group so that the Group's cash position is maintained for sustainable business development in the future.

Inventory provision policies

Inventories are initially recognised at cost and subsequently stated at the lower of cost and net realisable value. Cost is calculated using the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

The Directors review the aged analysis at the end of each reporting period, and make allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The Directors estimate the net realisable value for such finished goods and work in progress based primarily on the latest invoice prices and current market conditions. The Group makes allowance for impairment if the lower of cost and net realisable value is below the carrying amount.

During the Track Record Period, the provision made for the Group's inventories amounted to nil, approximately HK$1.9 million, HK$1.4 million and HK$3.6 million as at 31 December 2014, 2015, 2016 and 31 August 2017, respectively.

Inventory turnover days

The following table sets out the Group's inventory turnover days during the Track Record Period:

	As at 31 December			As at 31 August
	2014	2015	2016	2017
Finished goods turnover days	49.7	83.8	115.2	114.4
Overall inventory turnover days	127.7	176.5	199.3	198.3

Note: Inventory turnover days are calculated based on the average of the beginning and ending balance of inventories divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for each of the two years ended 31 December 2015, 366 days for the year ended 31 December 2016 and 240 days for the eight months ended 31 August 2017, respectively).

The Group's inventory turnover days were 127.7, 176.5, 199.3 and 198.3 for each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively. The increase in inventory turnover days over the years ended 31 December 2014 and 2015 was primarily because (i) as the Group experienced a general growth in business in 2015 as compared to 2014, the amount of work-in-progress and finished goods as at 31 December 2015 was higher than that as at 31 December 2014; (ii) during the last quarter of 2015, Group shifted its production schedule backwards and increase its production output before the year ended 31 December 2015 in order to cope with the increased quantities of production request for the first quarter of 2016, while such increase in inventory output contributed to approximately HK$9.4 million as at 31 December 2015 and (iii) increase in inventories of approximately HK$29.0 million in relation to the extension of sales delivery orders of certain notebook casing projects during the end of 2015. Given (i) the higher proportionate increase in average of the beginning and ending balance inventories of approximately 55.2%; and (ii) the revenue growth of approximately 12.3%, the Group's inventory turnover days increased from approximately 127.7 days to 176.5 days over the years ended 31 December 2014 and 2015.

The increase in turnover days for the year ended 31 December 2016 as compared to that for the year ended 31 December 2015 was mainly due to (i) the higher proportionate increase in average of the beginning and ending inventory balance of approximately 23.6% mainly due to the continuous growth in business in 2016 as compared to 2015; (ii) the slight increase in revenue of approximately 9.7% for the year ended 31 December 2016 as compared to that for the year ended 31 December 2015; and (iii) the increase in finished goods of a major notebook casing project under Brand J in accordance with the relevant customer's specific production request, the Group has arranged mass production for the project since the last quarter of 2016 and such products are expected to be delivered by batches over the period up to early 2018, the Group's inventory turnover days increased over the years ended 31 December 2015 and 2016.

The turnover days for the eight months ended 31 August 2017 was similar to that for the year ended 31 December 2016. The finished goods turnover days were beyond 90 days for both of the year ended 31 December 2016 and eight months ended 31 August 2017 which was mainly due to the production requirement of Brand J and Brand B respectively. If the specific production request of notebook casings project under Brand J is excluded, the finished goods turnover days for the year ended 31 December 2016 will be reduced from 115.2 days to 88.0 days. If the specific production request of notebook casings project under Brand J and Brand B is excluded, the finished goods turnover days for the eight months ended 31 August 2017 will be further reduced to 81.2 days. The mass production for the project under Brand J commenced since last quarter of 2016 while that under Brand B commenced since first quarter of 2017 and the implied finished goods turnover days of the respective projects were approximately 197.8 days and 175.3 days for the eight months ended 31 August 2017.

Ageing analysis and subsequent usage/sales

The following table sets out the inventory ageing of the major categories of inventories and the amount of subsequent usage or sales:

	Within 3 months	4 to 6 months	7 to 9 months	10 to 12 months	Over 1 year	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials						
– as at 31 December 2014	44,455	7,379	230	163	339	52,566
– as at 31 December 2015	40,992	5,616	520	235	40	47,403
– as at 31 December 2016	21,581	6,444	287	243	53	28,608
– as at 31 August 2017 (A)	30,715	3,206	4,917	290	235	39,363
– subsequent usage up to the Latest Practicable Date (B)	28,949	1,007	279	37	21	30,293
– B/A	94.3%	31.4%	5.7%	12.8%	8.9%	77.0%
Work in progress						
– as at 31 December 2014	47,977	793	125	492	249	49,636
– as at 31 December 2015	61,129	3,792	–	–	–	64,921
– as at 31 December 2016	67,920	3,422	–	–	–	71,342
– as at 31 August 2017 (C)	93,463	10,389	2,649	–	–	106,501
– subsequent usage up to the Latest Practicable Date (D)	72,200	6,972	1,522	–	–	80,694
– D/C	77.2%	67.1%	57.5%	0.0%	0.0%	75.8%
Finished goods						
– as at 31 December 2014	68,562	1,372	149	594	404	71,081
– as at 31 December 2015	105,772	17,333	–	–	–	123,105
– as at 31 December 2016	153,379	16,383	–	–	–	169,762
– as at 31 August 2017 (E)	123,647	11,635	30,037	–	–	165,319
– subsequent sales up to the Latest Practicable Date (F)	105,322	6,712	27,870	–	–	139,904
– F/E	85.2%	57.7%	92.8%	0.0%	0.0%	84.6%
Total inventories						
– as at 31 December 2014	160,994	9,544	504	1,249	992	173,283
– as at 31 December 2015	207,893	26,741	520	235	40	235,429
– as at 31 December 2016	242,880	26,249	287	243	53	269,712
– as at 31 August 2017 (G)	247,825	25,230	37,603	290	235	311,183
– subsequent usage up to the Latest Practicable Date (H)	206,471	14,691	29,671	37	21	250,891
– H/G	83.3%	58.2%	78.9%	12.8%	8.9%	80.6%

As at 31 August 2017, the age of the raw materials below 1 year and over 1 year accounted for approximately HK$39.1 million or 99.4% and approximately HK$235,000 or 0.6% of the total inventory of raw materials respectively. The inventory of raw materials over 1 year mainly comprised materials which remained at the Group's premises for the production of certain product models by the OEM customers in case additional production orders have to be placed for replacement of defected products claimed against the OEMs by the brand owners. The OEM customers subsequently collect and pay for the materials upon the expiry of the product warranty by OEM customers of such models. The subsequent usage of this category of raw materials was 8.9% up to the Latest Practicable Date. The Directors consider that these raw materials will be fully used and still have re-sell value although they are slow moving.

The age of the work in progress within 3 months and over 3 months accounted for approximately HK$93.5 million or 87.8% and approximately HK$13.0 million or 12.2% of the total inventory of work in progress respectively. The inventory of work in progress over 3 months mainly comprised semi-finished products of notebook casings and components produced by the Group in accordance with the production requests provided by its customers. The subsequent usage of this category of work in progress was 65.1% up to the Latest Practicable Date.

The age of the finished goods within 3 months and over 3 months accounted for approximately HK$123.6 million or approximately 74.8% and HK$41.7 million or approximately 25.2% of the total inventory of finished goods respectively. The inventory of finished goods over 3 months mainly comprised the notebook casing products and components orders confirmed from customers. The subsequent sales of this category of finished goods was 83.0% up to the Latest Practicable Date.

Based on the assessment of the lower of cost and net realisable value of the Group's inventory, the Directors consider that the provision made for inventories of approximately HK$3.6 million as at 31 August 2017 was adequate.

Finished goods inventory

The following table sets out the breakdown of the Group's inventory of finished goods by major products of the Group and their subsequent sales:

	As at 31 December 2014	**As at 31 December 2015**	**As at 31 December 2016**	**As at 31 August 2017**	**Subsequent sales of finished goods up to the Latest Practicable Date**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Finished goods inventory					
– Notebook casings	60,004	118,133	167,251	158,457	136,187
– Tablet casings	4,099	93	52	1,422	1,225
– Moulds	4,343	3,088	1,950	1,931	–
– Others	2,635	1,791	509	3,509	2,492
Total	**71,081**	**123,105**	**169,762**	**165,319**	**139,904**

As illustrated in the table above, most of the Group's finished goods inventory was notebook casings during the Track Record Period. Subsequent sales of the finished goods inventory up to the Latest Practicable Date amounted to approximately HK$139.9 million, representing approximately 84.6% of the Group's finished goods inventory as at 31 August 2017.

The inventory level of tablet casings decreased significantly from approximately HK$4.1 million as at 31 December 2014 to approximately HK$93,000 as at 31 December 2015 primarily due to the decrease in sales orders received from customers as certain tablet casing projects were completed during the year ended 31 December 2015.

The inventory level of tablet casings decreased from approximately HK$93,000 as at 31 December 2015 to approximately HK$52,000 as at 31 December 2016 as a result of the decrease in sales orders for tablet casings from a major customer during the year ended 31 December 2016.

The inventory level of tablet casings increased from approximately HK$52,000 as at 31 December 2016 to approximately HK$1.4 million as at 31 August 2017 mainly as a result of the commencement of a new tablet casing project in May 2017.

The inventory level of notebook casings increased significantly from approximately HK$60.0 million as at 31 December 2014 to approximately HK$118.1 million as at 31 December 2015 primarily due to the increase in quantities of production requests provided by certain major customers during the period. During the last quarter of 2015, the Group shifted its production schedule backwards and increase its production output before the year ended 31 December 2015 in order to cope with the increased quantities of sales forecast for the first quarter of 2016.

The inventory level of notebook casings increased from approximately HK$118.1 million as at 31 December 2015 to approximately HK$167.3 million as at 31 December 2016 as a result of the increased quantities of production requests for the first quarter of 2017 as compared to the first quarter in 2016.

The inventory level of notebook casings decreased from approximately HK$167.3 million as at 31 December 2016 to approximately HK$158.5 million as at 31 August 2017 mainly as a result of the continuous delivery of a major notebook casing project under Brand J during the eight months ended 31 August 2017 which accounted for approximately HK$47.0 million.

TRADE AND BILLS RECEIVABLES ANALYSIS

Trade and bills receivables are initially recognised at fair value and thereafter stated as amortised cost, using the effective interest method, less any identified impairment losses. The Group's trade and bills receivables as at 31 December 2014, 2015, 2016 and 31 August 2017 amounted approximately HK$145.4 million, HK$135.3 million, HK$215.0 million and HK$192.4 million, respectively, and they represented approximately 40.7%, 32.1%, 40.7% and 35.1% of the Group's total current assets as at 31 December 2014, 2015, 2016 and 31 August 2017, respectively.

The following tablet sets out the breakdown of the Group's trade and bills receivables as at the dates indicated:

	As at 31 December			As at 31 August
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	145,063	134,701	216,468	194,598
Impairment allowances	–	(669)	(1,509)	(2,198)
	145,063	134,032	214,959	192,400
Bills receivables	379	1,265	–	–
	145,442	135,297	214,959	192,400

The Group's trade and bills receivables decreased by approximately HK$10.1 million or 6.9% as at 31 December 2015 compared with the same in 2014, which was mainly due to the decline of sales orders during the fourth quarter as evidenced by the decrease in revenue of approximately HK$9.1 million or 6.5% from approximately HK$139.1 million in the fourth quarter of 2014 to HK$130.0 million in the fourth quarter of 2015. The increase in trade and bills receivables as at 31 December 2016 as compared to that as at 31 December 2015 was mainly attributable to the increase in proportion of sales made to certain major customers which had longer credit period. The decrease in trade and bills receivables as at 31 August 2017 as compared to that as at 31 December 2016 was mainly attributable to the settlement of trade receivables as at 31 December 2016 by customers during the eight months ended 31 August 2017.

The movements in the allowance for impairment of trade receivables during the Track Record Period are as follows:

	As at 31 December			As at 31 August
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the year/period	–	–	669	1,509
Impairment of trade receivables	–	669	871	703
Exchange realignment	–	–	(31)	(14)
At the end of the year/period	–	669	1,509	2,198

Provision for impairment of trade receivables are nil, approximately HK$0.7 million, HK$1.5 million and HK$2.2 million as at 31 December 2014, 2015 and 2016 and 31 August 2017, respectively. As at 31 August 2017, included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of approximately HK$2.2 million with a carrying amount before provision of approximately HK$2.2 million. The individually impaired trade receivables relate to customers that have been overdue for a long time and only a portion of the receivables is expected to be recovered.

The aged analysis of the Group's trade and bills receivables balances as at the end of each reporting date during the Track Record Period based on the invoice date and net of provisions is as follows:

	As at 31 December			As at 31 August
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 3 months	136,142	129,318	184,392	150,129
4 to 6 months, inclusive	9,300	5,979	30,567	42,271
	145,442	135,297	214,959	192,400

As at 31 December 2014, 2015, 2016 and 31 August 2017, the majority of the Group's trade and bills receivables were neither past due nor impaired:

	As at 31 December			As at 31 August
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Neither past due nor impaired	144,726	134,607	214,584	191,908
Within 3 months	–	–	–	492
4 to 6 months, inclusive	716	–	–	–
	145,442	134,607	214,584	192,400

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to a number of independent customers that have a good repayment record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The following tablet sets out the Group's trade and bills receivables turnover days during the Track Record Period:

	As at 31 December			As at 31 August
	2014	**2015**	**2016**	**2017**
Trade and bills receivables turnover days	121.7	121.2	138.2	139.1

Note: Trade and bills receivables turnover days are calculated based on the average of the beginning and ending balance of trade and bills receivables divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for each of the two years ended 31 December 2015, 366 days for the year ended 31 December 2016 and 240 days for the eight months ended 31 August 2017, respectively).

The Group's trade and bills receivables turnover days were 121.7, 121.2, 138.2 and 139.1 for each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively. The slight decrease in trade and bills receivables turnover days from 121.7 to 121.2 over the years ended 31 December 2014 and 2015 was primarily attributable to the relatively stable customer mix with similar credit periods over the two years ended 31 December 2014 and 2015. The increase in trade and bills receivables turnover days for the year ended 31 December 2016 as compared to that for the year ended 31 December 2015 was primarily attributable to (i) the increase in proportion of sales made to certain major customers which had longer credit period; and (ii) certain major customers had payment practice of paying the Group on a fixed day after the end of respective credit periods and thus the actual payment cycle may be slightly longer than the credit period granted to such customers.

The trade and bills receivables turnover days for the eight months ended 31 August 2017 remained relatively stable and was similar to that for the year ended 31 December 2016.

The Group general grants an average credit period of 30 to 120 days to its customers.

Up to the Latest Practicable Date, approximately 99.8% of the Group's trade and bills receivables as at 31 August 2017 had been settled.

TRADE PAYABLES ANALYSIS

Trade payables are initially recognised at fair value and thereafter stated at amortised costs, using the effective interest method.

The Group's trade payables primarily represent payables to its third-party suppliers and subcontractors. The following tablet sets out the breakdown of the Group's trade payables as at the dates indicated:

	As at 31 December			As at 31 August
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	92,939	71,698	87,499	84,983

The Group's trade payables decreased by approximately HK$21.2 million or 22.8% from approximately HK$92.9 million as at 31 December 2014 to approximately HK$71.7 million as at 31 December 2015, primarily attributable to faster settlement to suppliers due to the incentive of discount granted upon early settlement. The Group's trade payables increased by approximately HK$15.8 million or 22.0% from approximately HK$71.7 million as at 31 December 2015 to approximately HK$87.5 million as at 31 December 2016, primarily attributable to the larger purchase amount towards year end to support increment of production requests for first quarter of 2017 as compared to 2016. The Group's trade payables decreased by approximately HK$2.5 million or 2.9% from approximately HK$87.5 million as at 31 December 2016 to approximately HK$85.0 million as at 31 August 2017, primarily attributable to the relatively lower purchase amount during the three months ended 31 August 2017 as compared to the fourth quarter of 2016.

The ageing analysis of the Group's trade payables balances based on the invoice dates as at the respective financial position dates below.

	As at 31 December			As at 31 August
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 3 months	71,658	63,803	73,753	71,842
4 to 6 months, inclusive	21,271	7,637	13,746	13,141
7 to 9 months, inclusive	10	242	–	–
10 to 12 months, inclusive	–	–	–	–
More than 1 year	–	16	–	–
	92,939	71,698	87,499	84,983

During the Track Record Period, credit periods granted by the Group's suppliers are in general in the range of 30 to 120 days.

Up to the Latest Practicable Date, approximately 90.0% of the Group's trade payables as at 31 August 2017 had been settled.

The following table sets out the Group's trade payables turnover days during the Track Record Period:

	As at 31 December			As at 31 August
	2014	**2015**	**2016**	**2017**
Trade payables turnover days	72.5	71.1	62.8	58.9

Note: Trade payables turnover days are calculated based on the average of the beginning and ending balance of trade payables divided by revenue for the year/period, then multiplied by the number of days of the year/period (i.e. 365 days for each of the two years ended 31 December 2015, 366 days for the year ended 31 December 2016 and 240 days for the eight months ended 31 August 2017, respectively).

The Group's trade payables turnover days were 72.5, 71.1, 62.8 and 58.9 for each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively. The slight decrease in trade payables turnover days over the years ended 31 December 2014 and 2015 was primarily attributable to the faster settlement to suppliers due to the incentive of discount granted upon early settlement. The decrease in trade payables turnover days from 71.1 for the year ended 31 December 2015 to 62.8 for the year ended 31 December 2016 was primarily due to the faster settlement to suppliers by the Group as a result of the increased cash flows drawn from bank facilities during the year. The trade payables turnover days remained relatively stable as at 31 August 2017 as compared to that as at 31 December 2016.

Prepayments, deposits and other receivables

The following table sets out the Group's prepayments, deposits and other receivables as at the respective financial position dates below.

	As at 31 December			As at 31 August
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	1,222	2,681	6,080	16,593
Deposits and other receivables	26,695	5,715	3,862	15,062
	27,917	8,396	9,942	31,655
Less: Non-current portion for purchase of items of property, plant and equipment	(14,981)	(2,282)	(2,263)	(7,489)
Current portion	12,936	6,114	7,679	24,166

Prepayments, deposits and other receivables included prepayments for purchase of materials, utilities deposits, deposits paid for purchases of property, plant and equipment, other receivables which mainly comprise the advance to certain suppliers.

The balance of prepayments, deposits and other receivables decreased by approximately HK$19.5 million or 69.9% from approximately HK$27.9 million as at 31 December 2014 to approximately HK$8.4 million as at 31 December 2015, which was mainly due to the decrease in prepayments for purchase of materials of approximately HK$2.9 million and decrease in long term deposits for purchase of property, plant and equipment of approximately HK$12.7 million.

The balance of prepayments, deposits and other receivables increased by approximately HK$1.5 million or 17.9% from approximately HK$8.4 million as at 31 December 2015 to approximately HK$9.9 million as at 31 December 2016, which was mainly due to the combined effect of (i) increase in prepayment for Listing expenses; and (ii) decrease in deposits in relation to import and export of inventories.

The balance of prepayments, deposits and other receivables increased by approximately HK$21.8 million or 220.2% from approximately HK$9.9 million as at 31 December 2016 to approximately HK$31.7 million as at 31 August 2017, which was mainly due to (i) the increase in prepayment to subcontractors of approximately HK$7.1 million; (ii) the increase in VAT receivables of approximately HK$5.3 million regarding increased domestic purchases during the eight months ended 31 August 2017; and (iii) the increase in long term deposits for the purchase of property, plant and equipment of approximately HK$5.2 million.

Up to the Latest Practicable Date, approximately 56.2% of the Group's prepayments as at 31 August 2017 has been utilised.

Other payables and accruals

The following table sets out the Group's other payables and accruals as at the respective financial position dates below.

	As at 31 December			As at 31 August
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	2,259	7,355	6,664	5,016
Accruals	53,286	55,602	49,973	42,266
	55,545	62,957	56,637	47,282

Other payables mainly included other payables in relation to certain property, plant and equipment for the Group's production at Changshu Factory and other payables for utilities, taxes and others while accruals mainly comprised accrued salaries and benefits and accrued costs for dispatched workers.

The balance of other payables and accruals increased by approximately HK$7.5 million or 13.5% from approximately HK$55.5 million as at 31 December 2014 to approximately HK$63.0 million as at 31 December 2015, which was mainly due to the increase in other payables in relation to certain property, plant and equipment for the Group's production at Changshu Factory of approximately HK$4.4 million and increase in accrued costs for dispatched workers mainly due to the increased number of dispatched workers employed by the Group during the year as to cope with the increased sales orders from its customers.

The balance of other payables and accruals decreased by approximately HK$6.4 million or 10.2% from approximately HK$63.0 million as at 31 December 2015 to approximately HK$56.6 million as at 31 December 2016, which was primarily due to decrease in accrued expenses for social security payment and other payables for agency fee to human resources companies for employing dispatch manufacturing workers.

The balance of other payables and accruals decreased by approximately HK$9.3 million or 16.4% from approximately HK$56.6 million as at 31 December 2016 to approximately HK$47.3 million as at 31 August 2017, which was primarily due to the decrease in accrued expenses for social security payment and accrued bonus which has been paid during the period.

Amounts due from/to the Remaining Group

As at 31 December 2014, 2015 and 2016 and 31 August 2017, loan from the Remaining Group of nil, HK$19.4 million, nil and nil, respectively represent an unsecured loan with interest rate of 3% per annum advanced by the Remaining Group to the Group in April 2015 and subsequently repaid in June 2016.

Save as the above, the amounts due from/to the Remaining Group are unsecured, interest-free and have no fixed terms of repayment. No collateral is held over these balances by the Group.

As at 31 December 2014, 2015, 2016 and 31 August 2017, amounts due from the Remaining Group were approximately HK$1.1 million, nil, HK$0.2 million and HK$0.7 million, respectively. As at 31 December 2014, 2015, 2016, 31 August 2017 and 2 January 2018, amounts due to the Remaining Group were approximately HK$190.5 million, HK$143.7 million, HK$61.0 million, HK$43.8 million and HK$47.0 million, respectively. Amounts due to the Remaining Group were of non-trade nature. These loan from and amounts due to the Remaining Group will be settled before completion of the Spin-off and the Listing by capitalisation of HK$45 million and repayment of the remaining by bank borrowings.

WORKING CAPITAL

Working capital is important to the Group's financial performance. Taking into account the internal financial resources, available banking facilities to the Group and the estimated net proceeds from the Share Offer, the Directors are of the opinion that the Group has sufficient working capital for its current requirements, which is for at least the next 12 months from the date of this prospectus.

KEY FINANCIAL RATIOS

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

		Year ended or as at 31 December			**Eight months ended or as at 31 August**	
	Note	**2014**	**2015**	**2016**	**2016**	**2017**
Return on total assets	*1*	5.3%	4.7%	3.8%	Net loss	2.0%
Return on equity	*2*	30.5%	15.0%	10.0%	Net loss	5.1%
Current ratio	*3*	0.9	1.1	1.3	1.3	1.3
Quick Ratio	*4*	0.5	0.5	0.6	0.5	0.6
Gearing ratio	*5*	70.3%	56.9%	79.7%	82.0%	90.5%
Net profit margin	*6*	6.9%	6.1%	5.2%	Net loss	3.7%

Notes:

1. Return on total assets is calculated based on the profit for the year/period divided by the total assets as at the end of the year/period.

2. Return on equity is calculated based on the profit for the year/period divided by total equity at the end of the year/period.

3. Current ratio is calculated based on the total current assets divided by the total current liabilities at the end of the year/period.

4. Quick ratio is calculated based on the difference between the total current assets and inventories divided by the total current liabilities at the end of the year/period.

5. Gearing ratio is calculated based on total loans and borrowings divided by total equity at the end of the year/period.

6. Net profit margin is calculated by the profit for the year/period divided by the revenue for the respective year/period.

Return on total assets

The Group's return on total assets slightly decreased from approximately 5.3% for the year ended 31 December 2014 to approximately 4.7% for the year ended 31 December 2015 which was due to the slight decrease in the Group's profit for the year and increase in the Group's total assets. The balance of the Group's total assets and profit for the year increased by approximately HK$62.3 million or 12.7% and decreased by approximately HK$0.3 million or 1.2% over the years ended 31 December 2014 and 2015, respectively. The increase in the Group's total assets was mainly as a result of (i) the increase in inventory balance of approximately HK$62.1 million for coping with increased sales orders from the Group's customers; (ii) the increase in cash and bank balances of approximately HK$20.3 million; and (iii) the increase in property, plant and equipment of approximately HK$10.6 million for the production facilities used in the Changshu Factory.

For further analysis for the profit for the year, please refer to the paragraph headed "Comparison of results of operations — Comparison of the years ended 31 December 2015 and 31 December 2014 — Profit for the year" above in this section.

The Group's return on total assets slightly decreased from approximately 4.7% for the year ended 31 December 2015 to approximately 3.8% for the year ended 31 December 2016 which was due to the slight decrease in the Group's profit for the year and increase in the Group's total assets. The balance of the Group's total assets and profit for the year increased by approximately HK$88.2 million or 16.0% and decreased by approximately HK$1.6 million or 6.2% over the years ended 31 December 2015 and 2016, respectively. The increase in the Group's total assets was mainly as a result of (i) the increase in inventory balance of approximately HK$34.3 million for coping with increased sales orders from the Group's customers; and (ii) increase in trade and bills receivables of approximately HK$79.7 million due to the increased sales to customers during the last quarter of 2016.

If the Listing expenses of HK$0.6 million and approximately HK$12.5 million were excluded for each of the two years ended 31 December 2016, the Group's return on total assets would have been approximately 4.8% and 5.7% for each of the two years ended 31 December 2016, which represented a slight increase of approximately 0.9%.

For further analysis for the profit for the year, please refer to the paragraph headed "Comparison of results of operations — Comparison of the years ended 31 December 2016 and 31 December 2015 — Profit for the year" above in this section.

The Group's return on total assets improved from net loss for the eight months ended 31 August 2016 to approximately 2.0% for the eight months ended 31 August 2017 which was mainly due to the improvement in profit for the eight months ended 31 August 2017 as compared to that of the corresponding period. If the Listing expenses of approximately HK$10.1 million and HK$11.4 million were excluded for each of the eight months ended 31 August 2016 and 2017, the Group's return on total assets would have been approximately 1.4% and 3.7% respectively. For further analysis for the profit/(loss) for the period, please refer to the paragraph headed "Comparison of results of operations — Comparison of the eight months ended 31 August 2017 and 31 August 2016 — Profit/(loss) for the period" above in this section.

Return on equity

The Group's return on equity decreased from approximately 30.5% for the year ended 31 December 2014 to approximately 15.0% for the year ended 31 December 2015 which was due to increase in the Group's equity of approximately HK$86.5 million or 101.4% over the years ended 31 December 2014 and 2015 mainly as a result of the capital contribution from the Remaining Group and the increased retained profits brought forward from profit for the year while the decreased in profit for the year was approximately HK$0.3 million or 1.2% over the years ended 31 December 2014 and 2015.

The Group's return on equity decreased from approximately 15.0% for the year ended 31 December 2015 to approximately 10.0% for the year ended 31 December 2016, which was due to the increase in the Group's total equity of approximately HK$70.2 million or 40.9% over the years ended 31 December 2015 and 2016 mainly as a result of the capital contribution from the Remaining Group and the increased retained profits brought forward from profit for the year. If the Listing expenses of HK$0.6 million and approximately HK$12.5 million were excluded for each of the two years ended 31 December 2016, the Group's return on equity would have been approximately 15.3% and 15.1% for each of the two years ended 31 December 2016, which remained relatively stable.

The Group's return on equity improved from net loss for the eight months ended 31 August 2016 to approximately 5.1% for the eight months ended 31 August 2017 which was mainly due to the improvement in profit for the eight months ended 31 August 2017 as compared to that of the corresponding period. If the Listing expenses of approximately HK$10.1 million and HK$11.4 million were excluded for each of the eight months ended 31 August 2016 and 2017, the Group's return on equity would have been approximately 3.9% and 9.7% respectively.

Current ratio

The Group's current ratio increased from approximately 0.9 as at 31 December 2014 to approximately 1.1 as at 31 December 2015 primarily due to (i) the increase in balance of inventory of approximately HK$62.1 million from 31 December 2014 to 31 December 2015, which was mainly attributable to the increased sales orders from the Group's customers during the year; and (ii) the increase in cash and bank balances primarily due to cash inflows from financing activities.

The Group's current ratio increased from approximately 1.1 as at 31 December 2015 to approximately 1.3 as at 31 December 2016, which was mainly attributable to the combined effect of (i) the more vigorous increase in the aggregate balances of inventory and trade receivables of approximately HK$114.0 million mainly due to the growth in business during the year; and (ii) slightly offset by the increase in current liabilities of approximately HK$18.1 million due to the combined effect of increased bank borrowings and decreased amounts due to the Remaining Group.

The Group's current ratio remained relatively stable at approximately 1.3 as at 31 December 2016 and 31 August 2017 respectively.

Quick ratio

The Group's quick ratio remained relatively stable during the Track Record Period at approximately 0.5, 0.5, 0.6 and 0.6 as at 31 December 2014, 2015, 2016 and 31 August 2017, respectively.

Gearing ratio

The Group's gearing ratio was approximately 70.3%, 56.9%, 79.7% and 90.5% as at 31 December 2014, 2015, 2016 and 31 August 2017, respectively. The decline in gearing ratio from 31 December 2014 to 2015 was mainly due to the increase in balance of total equity of the Group as a result of the capital contribution from the Remaining Group and the increased retained profits brought forward from profit for the year ended 31 December 2015. The increased gearing ratio from approximately 56.9% as at 31 December 2015 to approximately 79.7% as at 31 December 2016 was mainly due to the increase in financing from banks during the year. The gearing ratio further increased from approximately 79.7% as at 31 December 2016 to approximately 90.5% as at 31 August 2017, primarily due to the increase in financing from banks during the period.

Net profit margin

The Group's net profit margin was approximately 6.9%, 6.1%, 5.2% and 3.7% for the year ended 31 December 2014, 2015, 2016 and the eight months ended 31 August 2017, respectively. The slight decrease in net profit margin from approximately 6.9% for the year ended 31 December 2014 to approximately 6.1% for the year ended 31 December 2015 was mainly due to the Group's operating profit increased at a lower rate of approximately 1.2%, as compared to the increase in income tax expense of approximately 7.4% over the years ended 31 December 2014 and 2015. The Group's net profit margin decreased from approximately 6.1% for the year ended 31 December 2015 to approximately 5.2% for the year ended 31 December 2016, mainly due to the combined effect of (i) the increase in the Group's revenue resulted from increased sales of notebook casings to the Group's major customers; and (ii) the recognition of significant non-recurring Listing expenses of approximately HK$12.5 million for the period.

If the Listing expenses of approximately HK$0.6 million and approximately HK$12.5 million were excluded for each of the two years ended 31 December 2016 respectively, the Group's net profit margin would have been approximately 6.2% and 7.9% for each of the two years ended 31 December 2016 respectively, which represented an increase of approximately 1.7% over the two years ended 31 December 2016. The increase in net profit margin after adjusting the Listing expenses for the year ended 31 December 2016 was mainly attributable to the combined effect of (i) the increase in gross profit of approximately HK$14.6 million; (ii) the increase in administrative expenses (excluding the effect of Listing expenses) of approximately HK$0.6 million primarily due to the increase in staff cost and benefits and business tax; (iii) the increase in other operating expenses of approximately HK$0.2 million for foreign exchange loss due to the depreciation of RMB against the US$; and (iv) the increase in finance costs of approximately HK$3.7 million due to the increase in financing from banks.

For further analysis for the profit for the year, please refer to the paragraphs headed "Comparison of results of operations — Comparison of the years ended 31 December 2015 and 31 December 2014 — Profit for the year" and "Comparison of results of operations — Comparison of the years ended 31 December 2016 and 31 December 2015 — Profit for the year" above in this section.

The Group's net profit margin improved from net loss for the eight months ended 31 August 2016 to approximately 3.7% for the eight months ended 31 August 2017 which was mainly due to the improvement in profit for the eight months ended 31 August 2017 as compared to that of the corresponding period. If the Listing expenses of approximately HK$10.1 million and HK$11.4 million were excluded for each of the eight months ended 31 August 2016 and 2017, the Group's net profit margin would have been approximately 3.3% and 6.9% respectively. For further analysis for the profit/(loss) for the period, please refer to the paragraph headed "Comparison of results of operations — Comparison of the eight months ended 31 August 2017 and 31 August 2016 — Profit/(loss) for the period" above in this section.

CAPITAL COMMITMENTS

As at 31 December 2014, 2015, 2016 and 31 August 2017, the Group had the following capital commitments:

	As at 31 December			As at 31 August
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted for commitments in respect of				
– Purchases of property, plant and equipment	4,306	2,923	10,047	2,739

The capital commitments were the commitments for the purchases of property, plant and equipment and construction of plant and leasehold buildings in the PRC for Tongda Suzhou.

INDEBTEDNESS

The following tablet sets out the Group's indebtedness as at the dates indicated. As of 31 December 2017, save as disclosed below, the Group did not have any other outstanding debt securities, term loans, borrowings, bank overdrafts, charges, mortgages, or other similar indebtedness, hire purchase and finance lease commitments, or guarantees or other contingent liabilities. Since 31 December 2017, there has been no material adverse change in the Group's indebtedness. The Directors confirmed that the Group did not experience any withdrawal of facilities, default in payment of trade and other payables or bank borrowings, or breach of financial covenants, and had not experienced difficulties in meeting obligations during the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, none of the Group's borrowings and facilities are subject to fulfilment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect the Group's ability to undertake additional debt or equity financings. As at the Latest Practicable Date, the Group did not have any immediate plan for additional material external debt financing. During the Track Record Period and up to the Latest Practicable Date, the Group had no exposure to liabilities denominated in currency other than HK$, RMB and USD.

The following table sets out the Group's indebtedness as at the respective financial position dates:

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 31 August 2017	As at 31 December 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities					
Interest-bearing bank borrowings	59,962	78,432	192,822	228,528	250,165
Loan from the Remaining Group	–	19,387	–	–	–
	59,962	97,819	192,822	228,528	250,165

As at 31 December 2014, 2015, 2016 and 31 August 2017, the Group's indebtedness position was at approximately HK$60.0 million, HK$97.8 million, HK$192.8 million and HK$228.5 million, respectively. The Group's indebtedness was primarily bank borrowings of approximately HK$60.0 million, HK$78.4 million, HK$192.8 million and HK$228.5 million and loan from the Remaining Group of nil, approximately HK$19.4 million, nil and nil as of 31 December 2014, 2015, 2016 and 31 August 2017, respectively, which were used for financing the Group's daily operations.

As at 31 December 2017, the Group had a total available banking and other facilities of approximately HK$301.3 million, of which approximately HK$250.2 million was utilised and approximately HK$51.1 million was unutilised and available for use. Out of such unutilised banking facilities, approximately HK$11.0 million or 21.5% represent import financing facilities which could not be applied for capital investment purpose. As such, the adjusted unutilised banking facilities available amounted to only approximately HK$40.1 million, which shall be applied as the Group's general working capital and contingent reserves. The Group tends to repay any outstanding banking facilities primarily by internal resources generated from its operating activities. The Directors confirm that the Group had not experienced any difficulties in obtaining bank borrowings nor any default in repayment on bank borrowings during the Track Record Period and up to the Latest Practicable Date.

Interest-bearing bank borrowings

The status of the Group's bank borrowings as at the respective financial position dates is as follows:

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 31 August 2017	As at 31 December 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current					
Bank loans, unsecured	59,962	78,432	192,822	228,528	250,165

The Group's bank borrowings were repayable as follows:

	As at 31 December 2014 HK$'000	As at 31 December 2015 HK$'000	As at 31 December 2016 HK$'000	As at 31 August 2017 HK$'000	As at 31 December 2017 HK$'000
Bank borrowings					
Within one year or on demand	59,962	78,432	192,822	228,528	250,165

The Group's bank borrowings were denominated in US$. The bank borrowings were unsecured. During the Track Record Period, the Group's banking facilities were secured by the corporate guarantee from Tongda. Such corporate guarantee provided by Tongda will be fully released, discharged or replaced by the corporate guarantee or other securities provided by the Group upon Listing.

Certain bank borrowings of the Group are variable-rate borrowings which carry at People's Bank of China rate or LIBOR plus certain basis points. The ranges of effective interest at rates (which are also equal to contracted interest rates) as follows:

	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 31 August 2017	As at 31 December 2017
Effective interest rates Variable-rate borrowings	4.5%/ LIBOR + 3%	4.5%/ LIBOR + 3%	4.2%/ People's Bank of China rate/ LIBOR + 3%	4.2%/ People's Bank of China rate/ LIBOR + 2.5% to 3%	4.2%/ People's Bank of China rate/ LIBOR + 2.5% to 3%

Commitments

As at 31 December 2014, 2015, 2016, 31 August 2017 and 31 December 2017, the total future minimum lease payments payable by the Group (as lessee) under non-cancellable operating leases are as follows:

	As at 31 December			As at 31 August	As at 31 December
	2014	2015	2016	2017	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	3,112	3,562	3,140	3,637	7,124
In the second to fifth years, inclusive	11,544	16,112	12,572	10,613	9,884
After five years	1,203	9,168	7,284	6,255	5,889
	15,859	28,842	22,996	20,505	22,897

The Group leases certain properties and machineries under operating leases. The leases run for an initial period of 1 year to 10 years with fixed rentals. None of these leases include any contingent rentals.

Contingent liabilities

As at 31 December 2014, 2015, 2016, 31 August 2017 and 31 December 2017, the Group did not have any material contingent liabilities.

Off-balance sheet arrangements and commitments

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

RELATED PARTY TRANSACTIONS

The Group's related party transactions during the Track Record Period are summarised in note 26 to the accountants' report set out in Appendix I to this prospectus. During the Track Record Period, the Group's related party transactions mainly include the following:

	Year ended 31 December			**Eight months ended 31 August**	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Sales of products to the Remaining Group	1,326	242	68	65	–
Purchase of raw materials from the Remaining Group	627	–	314	54	1,340
Interest expense charged by the Remaining Group	–	387	411	412	–

Sales of products to the Remaining Group were made according to the terms similar to those offered to the Group's independent third party customers during the Track Record Period. Sales of products to the Remaining Group mainly comprise notebook.

Purchases from the Remaining Group were made according to the terms similar to those offered by the Group's independent third party suppliers during the Track Record Period. Purchases from the Remaining Group mainly comprised resin.

Interest expense charged by the Remaining Group represents the interest charged for the unsecured loan with interest rate of 3% per annum advanced by the Remaining Group to the Group in April 2015. Such loan has been settled in June 2016.

It is the view of the Directors that all related party transactions were conducted in its ordinary and usual course of business and on normal commercial terms or better between the Remaining Group and the Group or on terms no less favourable than terms available from independent third parties, and were fair and reasonable and in the interest of the Company and the Shareholders as a whole and would not distort the Group's results during the Track Record Period.

FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to the Shareholders through the optimisation of debt and equity balance. The overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of debt, which include bank borrowings, and equity attributable to owners of the Company, comprising share capital and reserves.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost and risks associated with each class of the capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new shares issues as well as the issue of new debt or the redemption of existing debt.

Interest rate risk

Interest rate risk relates to a risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate mainly arises from bank deposits and bank borrowings. Borrowings arranged at variable rates expose the Group to cash flow interest rate risk.

Certain bank borrowings of the Group as at 31 December 2014, 2015, 2016 and 31 August 2017 bore interest at floating rates whereas the Group's bank balances, including restricted bank balances and cash and bank balances, also expose it to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The Group currently does not have a policy on hedging interest rate risk. However, the Directors monitor interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The following sensitivity analysis demonstrates the Group's exposure to a reasonable possible change in the United States dollars interest rate, with all other variables held constant, of the Group's profit before tax through the impact on floating rate borrowings at the end of each of the reporting periods (in practice, the results may differ from the sensitivity analysis below and the difference could be material):

	Increase/ (decrease) in percentage points	**Increase/ (decrease) in the Group's profit before tax**
		HK$'000
Year ended 31 December 2014		
United States dollars	0.5	(124)
United States dollars	(0.5)	124
Year ended 31 December 2015		
United States dollars	0.5	(66)
United States dollars	(0.5)	66
Year ended 31 December 2016		
United States dollars	0.5	(250)
United States dollars	(0.5)	250
RMB	0.5	(288)
RMB	(0.5)	288
Eight months ended 31 August 2017		
United States dollars	0.5	(568)
United States dollars	(0.5)	568
RMB	0.5	(204)
RMB	(0.5)	204
Eight months ended 31 August 2016		
United States dollars	0.5	(140)
United States dollars	(0.5)	140
RMB	0.5	(217)
RMB	(0.5)	217

The changes in interest rates do not affect the Group's other component of equity. The above sensitivity analysis is prepared based on the assumption that the borrowing period of the bank borrowings outstanding at the end of each of the reporting periods resembles that of the corresponding financial years. The assumed changes in interest rate are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the period until the next annual reporting period.

Commodity price risk

The Group is exposed to commodity price risk that arises from price fluctuations of raw materials. In particular, plastic materials and aluminium constitute the majority of raw materials used by the Group. The Group is exposed to fluctuations in the prices of these raw materials which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect the Group's financial performance. The Group has not historically entered into any commodity derivative instruments to hedge the potential commodity price changes.

Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures. Such exposures arise from the sale and purchase transactions and cash and bank balances denominated in United States dollars, Hong Kong dollars and RMB. It is the policy of the Group to continue maintaining the balance of its sales and purchases in the same currency. The management monitors foreign currency exposure of the Group and will consider undertaking foreign exchange hedging activities to reduce the impact of foreign exchange rate movements on the Group's operating result whenever necessary.

The majority of the Group's operating assets are located in the PRC and denominated in RMB. As the Group's net profit is reported in Hong Kong dollars, there will be a translation gain/loss as a result of the RMB appreciation/depreciation.

The following table demonstrates the sensitivity at the end of each of the reporting periods to a reasonably possible change in the United States dollar/Hong Kong dollar and RMB exchange rate, with all other variables held constant, of the Group's profit/(loss) before tax.

	Increase/ (decrease) in RMB rate	**Increase/ (decrease) in the Group's profit before tax**
	%	*HK$'000*
Year ended 31 December 2014		
If HK dollar weakens against RMB	5	329
If HK dollar strengthens against RMB	(5)	(329)
If United States dollars weakens against RMB	5	(2,575)
If United States dollars strengthens against RMB	(5)	2,575
Year ended 31 December 2015		
If HK dollar weakens against RMB	5	1,316
If HK dollar strengthens against RMB	(5)	(1,316)
If United States dollars weakens against RMB	5	(2,194)
If United States dollars strengthens against RMB	(5)	2,194
Year ended 31 December 2016		
If HK dollar weakens against RMB	5	411
If HK dollar strengthens against RMB	(5)	(411)
If United States dollars weakens against RMB	5	(381)
If United States dollars strengthens against RMB	(5)	381
Eight months ended 31 August 2017		
If HK dollar weakens against RMB	5	413
If HK dollar strengthens against RMB	(5)	(413)
If United States dollars weakens against RMB	5	796
If United States dollars strengthens against RMB	(5)	(796)

	Increase/ (decrease) in RMB rate	Increase/ (decrease) in the Group's profit before tax
	%	*HK$'000*
Eight months ended 31 August 2016		
If HK dollar weakens against RMB	5	411
If HK dollar strengthens against RMB	(5)	(411)
If United States dollars weakens against RMB	5	2,459
If United States dollars strengthens against RMB	(5)	(2,459)

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group.

The Group's credit risk is primarily attributable to its financial assets, which comprise restricted bank balances, cash and bank balances, amounts due from the Remaining Group, trade and bills receivables, prepayments, deposits and other receivables.

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. Each of the customers has been attached with a trading limit and any excess to the limit must be approved by the general manager of the operation unit.

The credit policies have been consistently applied and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other banking facilities such as trust receipt loans.

The maturity profile of the Company's financial liabilities as at the end of each of the reporting date, based on the contractual undiscounted payments, is within one year.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, which has been prepared in accordance with Rule 4.29 of the Listing Rules, is for illustrative purposes only, and is set forth to illustrate the effect of the Spin-off on the Group's consolidated net tangible assets as at 31 August 2017 as if the Listing had taken place on 31 August 2017.

	Consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 August 2017	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of the Company as at 31 August 2017	Unaudited pro forma adjusted net tangible assets per Share
	(note 1)	*(note 2)*		*(note 3)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on an Offer Price of HK$2.30 per Share	252,625	78,306	330,931	1.7

Notes:

1. The consolidated tangible assets attributable to the equity holders of the Company as at 31 August 2017 is extracted from the Accountants' Report set forth in Appendix I to this prospectus.

2. The estimated net proceeds from the Share Offer are based on the Offer Price of HK$2.30 per Share after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share is based on 189,115,638 Shares assumed to be in issue immediately following the completion of the Share Offer but takes no account of any Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.

4. The unaudited pro forma adjusted consolidated net tangible assets of the Group and the unaudited pro forma adjusted consolidated net tangible assets per Share have not taken into account the capitalisation of amounts due to the Remaining Group of HK$45 million subsequent to 31 August 2017. Had the capitalisation of HK$45 million been taken into account, the unaudited pro forma adjusted consolidated net tangible assets per Share would have been increased to HK$2.0.

5. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequently to 31 August 2017.

The unaudited pro forma statement of adjusted consolidated net tangible assets have been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the Group's consolidated net tangible assets as at 31 August 2017 or any future date following the Listing. It is prepared based on the Group's audited consolidated financial information as at 31 August 2017 as set forth in the accountants' report in Appendix I to this prospectus, as adjusted as described below. The unaudited pro forma statement of adjusted consolidated net tangible assets does not form part of the accountants' report as set forth in Appendix I to this prospectus.

For more information, please refer to Appendix II to this prospectus.

LISTING EXPENSES

In relation to the Listing, the Company expects to incur Listing expenses in an aggregate amount of approximately HK$38.5 million. Of such amount to be borne by the Company, HK$8.5 million of its estimated Listing expenses is directly attributable to the issue of the Offer Shares and is to be accounted for as a deduction from equity upon Listing. The remaining amount of approximately HK$30.0 million, which cannot be so deducted, shall be charged to profit or loss of the Group. Approximately HK$0.6 million, HK$12.5 million and HK$11.4 million has been charged for the year ended 31 December 2015 and 2016 and the eight months ended 31 August 2017, respectively, and approximately HK$2.5 million and HK$3.0 million are expected to be incurred for the four months ending 31 December 2017 and the year ending 31 December 2018, respectively.

The Directors would like to emphasise that the Listing expenses stated above are the current estimation for reference purpose and the actual amount to be recognised is subject to adjustments based on audit and the then changes in variables and assumptions. The Directors consider that such Listing expenses would, to certain extent, affect the Group's results of operations for the years ending 31 December 2017 and 2018, respectively.

DIVIDEND

The Group had not declared any dividends for each of the three years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2017 as part of the Remaining Group. The Group has not declared or paid any interim dividend in 2017 up to the date of this prospectus.

Following the Listing, the declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to the operation and financial performance, profitability, business development, prospects, capital requirements, and economic outlook. It is also subject to the approval of the Shareholders as well as any applicable laws. The historical dividend payments may not be indicative of future dividend trends. The Company does not have any predetermined dividend payout ratio.

DISTRIBUTION RESERVES

The Company was incorporated on 21 March 2016 and is an investment holding company carrying on no business activities. Accordingly, there was no reserve available for distribution to Shareholders as of 31 December 2014, 2015 and 2016 and 31 August 2017.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2017

Estimated consolidated profit attributable to owners of the Company *(Note 1)*	not less than HK$22.8 million

Notes:

(1) The bases on which the above profit estimate for the year ended 31 December 2017 has been prepared are summarised in Appendix IIB to this prospectus. The Directors have prepared the estimated consolidated profit attributable to owners of the Company for the year ended 31 December 2017 based on (i) the audited consolidated results for the eight months ended 31 August 2017; and (ii) the unaudited consolidated results based on management accounts of the Group for the four months ended 31 December 2017.

(2) The estimated consolidated results of the Company for the year ended 31 December 2017, which has taken into account the expected Listing expenses to be incurred during the year ended 31 December 2017 of approximately HK$13.9 million. Had the effect of such expected Listing expenses not been taken into account, the estimated consolidated results of the Company for the year ended 31 December 2017 would have been approximately HK$36.7 million.

DISCLOSURES REQUIRED UNDER THE LISTING RULES

The Directors have confirmed that as at the Latest Practicable Date, they are not aware of any circumstances that would give rise to a disclosure under Rules 13.13 to 13.19 of Chapter 13 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that, up to the date of this prospectus, save as the Listing expenses, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 August 2017 (being the date to which the latest audited consolidated financial statements of the Group were prepared), and there is no event since 31 August 2017 up to the date of this prospectus which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

FUTURE PLANS

The Group's objective is to capture the continuing growth opportunities for the Group to expand its market share in the notebook and tablet casings manufacturing industry and to enhance its profitability as well as maximise shareholder value. To achieve this objective, the Directors intend to continue to capitalise on the Group's strong manufacturing capabilities and delivering value-added and "one stop" manufacturing solutions to its reputable OEM customers and through the implementation of the following initiatives, each of which is discussed in detail in the section headed "Business — Business strategies" in this prospectus:

Enhancing the Group's production capacity in notebook casings

Having considered that the utilisation rate of the Group's production facility was 85.0%, 67.3%, 75.3% and 88.2% for each of the three years ended 31 December 2016 and the eight months ended 31 August 2017, respectively, the Directors are of the view that the production capacity of the Group has reached its optimum level. Due to the limited production capacity of the Group's existing production facilities and the product specifications given by the customers, the Group outsourced historically the production of substantial quantities of key components of the Group's products. Taking into account the subcontracted products, the adjusted utilisation of the Group's existing key production facilities reached approximately 128.5%, 79.7%, 85.3% and 100.0% for each of the three years ended 31 December 2016 and the eight months ended 31 August 2017 respectively. The Directors considered that the utilisation rate of the Group's production facilities has been optimised given that buffer capacity has to be reserved for mould fabrication and ad hoc production requests. Following the enhancement of production capacity, the Group will be able to accommodate more purchase orders.

With an aim to enlarge market shares and maintain competitiveness within the industry, the Group intends to lease a new factory for a term of ten years to expand its business and to cater for the future expansion of the Group's production capacity. The Directors intend to lease a new factory with a gross floor area of approximately 5,000 sq.m. in the proximity of the Group's existing production site. In January 2017, the Group entered into a letter of intent with a potential independent third party landlord in relation to the leasing of factory and the Group has identified a target premises to lease. However, as no formal rental agreement was executed between the parties, the potential independent third party landlord has no legal obligation to reserve such target premises to the Group. In the event that such target premises are no longer available for the Group's lease after the Listing, the Directors believe that there would be other available options for the Group's lease and would approach other independent third party landlords as and when appropriate. As such, as at the Latest Practicable Date, the exact location of such new factory is yet to be confirmed.

Having considered the qualitative reasons of expanding the Group's production base by acquiring a parcel of land with office and factory buildings, which include among others, mitigating the risk of early termination or non-renewal of the lease in the future and the positive effect on customers' confidence in the Group for having its own factory premises, the Directors do not rule out the possibility of identifying and acquiring suitable land and buildings after the proposed Spin-off and the Listing. In considering whether to acquire suitable land and buildings in the future, the Directors would assess on the (a) Group's business development and market conditions at the material time; and (b) the availability of funds at the material time to settle such potential acquisition by either the Group's internal resources, bank borrowings, other equity financing or a combination of the above alternatives as and when appropriate.

The expansion of the Group's production facilities and upgrading of its production equipment are necessary in order to gain market share and maintain the Group's competitiveness within the industry. Higher level of automation improves the yield of quality products and reduces labour costs of the Group, which also improves its productivity.

Out of the net proceeds from the Share Offer, (i) approximately HK$7.3 million will be used to lease a new factory for a term of ten years; (ii) approximately HK$22.4 million will be used to purchase new machineries and equipment from Independent Third Parties; (iii) approximately HK$9.6 million will be used to refurbish the new factory; and (iv) approximately HK$7.8 million will be used to purchase advanced automation machinery and equipment.

Upgrading the level of skillset in the production process

The Directors believe that the Group's research and development capability is one of its competitive strengths. In this connection, the Group will continue to place strong emphasis on research and development. The Group intends to use approximately HK$1.2 million or 2.4% of the net proceeds from the Share Offer to enhance research and development activities including but not limited to recruiting additional qualified technical personnel, providing training to the staff of the research and development department and purchase of additional advanced testing and equipment.

Strengthening the customer base

The Directors believe that past success of the Group was attributable to its diverse surface decoration techniques provided to its customers.

Leveraged on the increased production capacity and enhanced production technology, the Group would be able to satisfy various customers' requirements and specifications for notebook and tablet casings.

To enlarge market shares and maintain competitiveness of the Group within the industry, the Group seeks to continuously strengthen its distribution network by improving its relationship with its existing customers and soliciting new customers by increasing the number of sales and marketing personnel and intensifying the Group's services before, during and after sales. The Group intends to use approximately HK$0.2 million or 0.3% of the net proceeds from the Share Offer for increasing the Group's sales and marketing efforts.

IMPLEMENTATION PLAN

With a view to achieving the Group's business objectives and enhancing the Group's overall operating scale, the Group plans to lease a new factory in the vicinity of the Group's existing production site, which will increase the total gross floor area of the Group's production bases from approximately 23,000 sq.m. to 28,000 sq.m. The total capital expenditure for the Group's expansion plan is expected to be approximately HK$39.8 million. The Group plans to apply (i) approximately HK$9.6 million or approximately 19.9% of the net proceeds to refurbish the new factory; (ii) approximately HK$22.4 million or approximately 46.2% of the net proceeds for capital expenditure for additional production facilities and machineries; and (iii) approximately HK$7.8 million or approximately 16.1% of the net proceeds for capital expenditure on additional automation machines to accommodate the new production facilities.

In particular, the Group plans to enhance its production capacity for its existing products. Set out below is the implementation plan and the Group's estimated capital expenditure on the expansion plan:

Event	Total estimated capital expenditure to be incurred	Expected time to complete/ commence commercial production
	HK$ million	
Refurbishment of new factory		July 2018
— renovation of factory area and office building	0.5	
— renovation of warehouse	1.1	
— establishing cleanroom for production	5.9	
— laying of electric cables	2.1	
Sub-total	9.6	
Additional production facilities and machineries		August 2018
— five sets double-shot injection moulding machine	9.4	
— auxiliary equipment for the double-shot injection moulding machines	3.2	
— one assembly line	1.3	
— three sets CNC for mould fabrication	3.2	
— one automatic spray line	4.5	
— environmental protection equipment	0.8	
Sub-total	22.4	
Additional automation machines		August 2018
— dispensing robot	1.6	
— milling machines	1.6	
— 40 sets automatic screwing drivers/machines	4.6	
Sub-total	7.8	
Total estimated capital expenditure	**39.8**	

In relation to its expansion plan, the Group shall go through the following material procedures for carrying out production and business activities in the factory buildings: Assessment reports of the environment and fire prevention design review shall be filed with and approved by the relevant environmental protection bureau and fire services department before the commencement of renovation work. Acceptance procedures from such government authorities are required upon the completion of renovation work. According to the "three simultaneities" procedures, the Group shall also complete (i) the work safety procedures, such as appointing experts to carry out safety production pre-assessment, safety facility design review and final acceptance, and establish safety production contingency plans for record; and (ii) the occupational health procedures such as appointing experts to carry out pre-occupational hazard assessment, occupational disease prevention facilities design review and acceptance of occupational health and to carry out the testing of factors of occupational hazards. Industrial and commercial registration procedures shall be completed (if any).

According to the PRC Legal Advisers, there should be no material legal impediment for the Group to obtain such approvals if the Group fulfills the requirements prescribed by the relevant laws and regulations and the government departments.

Justifications for the Group's expansion plan

Enhancing production capacity for the Group's notebook casings decorated with double-shot injection

The Group intends to enhance the Group's production capacity of notebook casings so as to enable the Group to accommodate more purchase orders from customers. The table below sets forth the information of expected change in production capacity of the Group's products after the aforesaid acquisition of the relevant machines:

	Maximum annual capacity before acquiring the machinery as at 31 December 2016 *('000 units)*	**Maximum annual capacity after acquiring the machinery** *('000 units)*	**Increase rate of maximum annual capacity**
Key components of notebook casings	17,284	21,574	24.8%
Key components of tablet casings	1,716	1,716	0.0%
Total	19,000	23,290	22.6%

Based on the implementation plans of the Group, the maximum annual capacity of notebook casings is expected to increase by approximately 4.3 million units or 24.8% after acquiring the relevant injection machines to approximately 21.6 million units. In particular, the Directors would like to enhance the production capacity of notebook casings decorated with double-shot injection, sales of which was first recorded in June 2016. As at the Latest Practicable Date, the Group (i) was undertaking 10 existing notebook casing projects in relation to double-shot injection, with 25 sets of moulds being fabricated; and (ii) was in the negotiation of 1 new notebook casing projects in relation to double-shot injection, with an addition of 1 of mould to be fabricated. As at the Latest Practicable Date, (i) the production requests received by the Group amounted to approximately 0.5 million units; (ii) based on past experience and to the best knowledge and understanding of the Directors, the aggregate indicative size of potential production orders for the abovementioned existing and new notebook casing projects would be approximately 1.6 million units. Furthermore, the Group's notebook casings decorated with double-shot injection historically recorded a relatively higher gross profit margin of approximately 29.8%, which was higher than the Group's average gross profit margin of approximately 19.4% for the eight months ended 31 August 2017.

According to the CRI Report, double-shot injection may become the market trend in the future, given its ability to enhance product quality which potentially renders higher gross profit margins. Having considered that (i) there would be an expected increasing demand from customers for notebook casings decorated with double-shot injection; and (ii) the growth in sales of such products may potentially improve the Group's overall gross profit margin, the Group plans to enhance the production capacity by purchasing additional equipment and machineries, including six sets of double-shot injection machines, auxiliary equipment for the double injection moulding machines, one assembly line, three CNC machines for mould fabrication, one automatic spray line, as well as other machines for enhancing the automation of the Group's production process.

Expected increasing demand for the Group's products

The Directors believe that there will be a growing demand for the Group's products, having considered (i) the production requests from certain major customers for the two months ending 31 December 2017 amounted to approximately HK$88.9 million; and (ii) the Group's historical results of operations attributable to the revenue derived from its OEM customers. Although the Group does not have long-term contracts with its existing customers and the customers' purchases are concluded on a purchase order basis, over the years, the Group has closely partnered with its existing customers from production solutions design and development to the final delivery of quality products and established relationship with the OEM customers. Given that the Group only accounted for approximately 2.8% of market share in terms of global notebook casings shipment volume in first half of 2017, it is therefore crucial to enhance the Group's production capacity to cater for the expected increasing purchase orders from its OEM customers and capture any growth opportunities in the Group's business operation.

Expanding the Group's market share within the industry

As the Group aims to expand its market share within the notebook and tablet casings industry, additional production facilities will support the Group's business growth. With enhanced production capacity, the Group's expansion plan is well supported and it enables the Group to have higher flexibility to allocate resources for its operations and to better cater for possible urgent orders from its customers. The expanded factory area enables the Group to further enhance its production capacity in the future by purchasing additional plant and machineries when necessary. The Directors also believe that the Group's OEM customers would require certain scale of operations of their suppliers in order to accommodate their volume requirements, while companies with larger scale also enjoy a competitive advantage in attracting larger purchase orders and/or sizable customers. Therefore, the expansion plan in turn enables the Group to gain confidence from OEM customers and increase the opportunities for attracting purchase orders from such customers and therefore increase the Group's market share within the industry.

Based on the above, the Directors are of the view and the Sponsor concurs that the expansion plan is justifiable and in line with the Group's business strategies.

USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Share Offer will strengthen the Group's capital base and will provide funding for achieving its business strategy and carry out its future plans as set out in this section.

The Directors estimate that the aggregate net proceeds to be received by the Group from the Share Offer (after deducting underwriting fees and estimated expenses payable by the Group in connection with the Share Offer) will be approximately HK$48.5 million. The Group intends to apply the net proceeds of approximately HK$48.5 million (calculated based on the Offer Price of HK$2.30 per Share) in the following manner:

- approximately HK$7.3 million or approximately 15.1% of the net proceeds for leasing a new factory for a term of ten years for the Group's expansion of its notebook and tablet casings manufacturing business;
- approximately HK$9.6 million or approximately 19.9% of the net proceeds to refurbish the new factory as mentioned above;
- approximately HK$22.4 million or approximately 46.2% of the net proceeds for capital expenditure for additional production facilities and machineries;
- approximately HK$7.8 million or approximately 16.1% of the net proceeds for capital expenditure on enhancing the automation in the Group's manufacturing process;
- approximately HK$0.2 million or approximately 0.3% of the net proceeds for additional efforts in sales and marketing activities; and
- approximately HK$1.2 million or approximately 2.4% of the net proceeds for supporting the enhancement of research and development capabilities of the Group.

To the extent that the net proceeds of the Share Offer are not immediately applied for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short-term deposits with financial institutions.

The Group will issue an announcement in the Stock Exchange if there is any material change in the use of proceeds described above.

BUSINESS PROSPECTS

In relation to the Company's business prospect of its notebook casings business, despite the expected negative CAGR of global shipment volume of notebooks in the near future, the Directors are of the view that there is plenty of room for the Group to expand given the tiny fraction of market share currently held by the Group. As such, the Group intends to upgrade and expand its production machinery and facilities to enhance its production efficiency and technical ability and to increase its production capacity in order to capture market share.

During the year ended 31 December 2016 and the eight months ended 31 August 2017, the Group undertook a gaming notebook casing project with revenue amounted to approximately HK$4.0 million and HK$1.3 million, respectively. Subsequent to the Track Record Period, the Group undertook a new gaming notebook casing project which has commenced mass production and delivered since January 2018. In addition, as at the Latest Practicable Date, the Group is negotiating for another potential notebook casing project in relation to the latest model of gaming notebook. Capitalising on the Group's competitive advantages as a "one-stop" manufacturing solution provider and its continuous endeavours to improve production efficiency, research and development capabilities and product quality, the Directors believed that the Group has built a good reputation among its customers and the industry. As at the Latest Practicable Date, three of the existing major brand owners of gaming notebooks are using the Group's products. Having considered that the growing popularity of gaming notebooks market in the near future, the Directors consider that the Group may be benefited from the potential business opportunities arising thereof.

Regarding the Company's business prospects of its tablet casing business, having considered that (i) there is an expected negative CAGR of global shipment volume of tablets in the near future; and (ii) the revenue contribution from the tablet casing business was relatively insignificant to the Group, which represented approximately 33.8%, 2.5%, 1.9% and 1.9% of the Group's revenue for the three years ended 31 December 2016 and eight months ended 31 August 2017 respectively, the Directors plan to adopt a conservative approach and does not expect to invest additional resources into the Group's tablet casing business going forward.

PUBLIC OFFER UNDERWRITERS

Sinomax Securities Limited
Sinolink Securities (Hong Kong) Company Limited
RHB Securities Hong Kong Limited
Changjiang Securities Brokerage (HK) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, the Company has agreed to offer the Public Offer Shares for subscription by 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 approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to subscribe or procure subscribers for the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares are subject to termination. The Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) has the right, in its sole and absolute discretion, to terminate the Public Offer Underwriting Agreement by giving notice in writing to the Company, with immediate effect at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the "**Termination Time**") if any of the following events shall occur prior to the Termination Time:

1. There comes to the notice of the Sole Bookrunner:

   (a) any matter or event showing any of the representations, warranties or undertakings given to the Public Offer Underwriters under the Public Offer Underwriting Agreement (the "**Warranties**") to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the Warranties or any other provisions of the Public Offer Underwriting Agreement by any party to the Public Offer Underwriting Agreement other than the Sponsor, the Sole Bookrunner, the Joint Lead Managers or the Public Offer Underwriters which, in any such cases, is considered, in the reasonable opinion of the Sole Bookrunner, to be material in the context of the Public Offer; or

(b) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect which is considered, in the reasonable opinion of the Sole Bookrunner, to be material in the context of the Public Offer; or

(c) any event, series of events, matters or circumstances has occurred or arisen on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the Warranties untrue, incorrect or misleading in any material respect, and which is considered, in the reasonable opinion of the Sole Bookrunner to be material in the context of the Public Offer; or

(d) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the reasonable opinion of the Sole Bookrunner, a material omission in the context of the Public Offer; or

(e) any event, act or omission which gives or is likely to give rise to any liability of a material nature of the Company, any of the executive Directors and the Controlling Shareholders arising out of or in connection with the breach of any of the Warranties; or

(f) any breach by any party to the Public Offer Underwriting Agreement other than the Sponsor, the Sole Bookrunner, the Joint Lead Managers or the Public Offer Underwriters of any provision of the Public Offer Underwriting Agreement which, in the reasonable opinion of the Sole Bookrunner, is material;

2. there shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:

(a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC, the BVI, the Cayman Islands, the US and the United Kingdom or any other jurisdictions relevant to the business of the Group (the “**Relevant Jurisdictions**”); or

(b) any change in, or any event or series of events or development resulting or likely to result in any material change in the local, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects in the Relevant Jurisdictions; or

(c) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances; or

(d) any change or development involving a prospective material change in taxation or exchange controls (or the implementation of any exchange controls) in the Relevant Jurisdictions; or

(e) any material adverse change or prospective material adverse change in the business or in the financial or trading position or prospects of any member of the Group; or

(f) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the Relevant Jurisdictions; or

(g) a general moratorium on commercial banking activities in Hong Kong declared by the relevant authorities; or

(h) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out;

which, in the reasonable opinion of the Sole Bookrunner acting in good faith:

(a) is or will be, or is likely to be, adverse, in any material respect, to the business, financial or other condition or prospects of the Group taken as a whole; or

(b) has or will have or is reasonably likely to have a material adverse effect on the success of the Share Offer or the level of the Offer Shares being applied for or accepted, or the distribution of the Offer Shares; or

(c) makes it impracticable, inadvisable or inexpedient for the Public Offer Underwriters to proceed with the Public Offer as a whole.

For the above purpose:

(a) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US shall be taken as an event resulting in a change in currency conditions; and

(b) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

Undertakings to the Stock Exchange under the Listing Rules

By the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that (except pursuant to the Share Offer and the grant of options or exercise of options granted or to be granted under the Share Option Scheme) at any time during the period commencing on the date of this prospectus and ending on the expiry of the six-month period after the Listing Date, the Company will not, without the prior consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules, allot or issue or agree to allot or issue any Shares or other securities convertible into equity securities of the Company (including warrants or other convertible securities), whether or not of a class already listed, except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

By the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has undertaken to each of the Stock Exchange and the Company that, except as permitted under the Listing Rules and pursuant to the Share Offer and the grant of options or exercise of options granted or to be granted under the Share Option Scheme as described and contained in this prospectus, he/it shall not and shall procure that the relevant registered shareholder(s) controlled by the Controlling Shareholders shall not:

(a) in the period commencing on the date by reference to which disclosure of his/its shareholding in the 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 (save as pursuant to a pledge or charge as security 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) in respect of, any of those securities of the Company in respect of which he/it is shown by this prospectus to be the beneficial owner(s); 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 (save as pursuant to a pledge or charge as security 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) in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has also undertaken to each of the Stock Exchange and the Company that, within the period commencing on the date by reference to which disclosure of his/its shareholding in the Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

(a) when he/it pledges or charges any Shares or securities of the Company beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of Shares or securities so pledged or charged; and

(b) when he/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of the Company will be disposed of, immediately inform the Company of such indications.

The Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by the Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

Undertakings to the Public Offer Underwriters

By the Company

Pursuant to the Public Offer Underwriting Agreement, the Company has undertaken to each of the Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) that, except pursuant to the Share Offer and the grant of options or exercise of options granted or to be granted under the Share Option Scheme, or otherwise as described and contained in this prospectus, unless with the prior written consent of the Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), such consent not to be unreasonably withheld or delayed, and in compliance with the requirements of the Listing Rules, during the six months immediately following the Listing Date (the "**First Six-month Period**"), the Company or the subsidiaries will not:

(a) allot or issue, or agree to allot or issue, any Shares or any other securities of the Company (including warrants or other convertible or exchangeable securities (and whether or not of a class already listed)) or grant or agree to grant any options, warrants, or other rights to subscribe for or convertible or exchangeable into any Shares or any other securities of the Company; or

(b) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence of ownership of any Shares or offer to or agree to do any of the foregoing or announce any intention to do so.

In the event of the Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-month Period (the "**Second Six-month Period**"), it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or any other securities of the Company.

By the Controlling Shareholders

Each of the Controlling Shareholders has jointly and severally undertaken to each of the Company, the Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) that during the First Six-month Period, he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates and companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) otherwise in compliance with the requirements of the Listing Rules:

(a) 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, dispose of either directly or indirectly, any of the Shares in respect of which it or he is shown in this prospectus to be directly or indirectly interested in (the "**Relevant Securities**"); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Relevant Securities or such other securities, in cash or otherwise; or

(c) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (a) or (b) above; or

(d) announce any intention to enter into or effect any of the transactions referred to in paragraphs (a), (b) or (c) above.

Each of the Controlling Shareholders has also jointly and severally undertaken to each of the Company, the Sponsor, the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) that he/it shall not, and shall procure that the relevant registered holder(s) and his/its associates or companies controlled by him/it and any nominee or trustee holding in trust for him/it shall not, without the prior written consent of the Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters), in the 30-month Lock-up Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by him/it or any of his/its associates or companies controlled by him/it or any nominee or trustee holding in trust for him/it if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder or would together with the other Controlling Shareholders cease to be, or be regarded as, Controlling Shareholders.

In the event of a disposal of any of the Shares or securities of the Company directly or indirectly beneficially owned by him/it or any interest therein within the 30-month Lock-up Period, the relevant Controlling Shareholder shall take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for any Shares or other securities of the Company.

Each of the Controlling Shareholders has further undertaken to each of the Company, the Sponsor and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) that within the first twelve months from the Listing Date, it/he will:

(a) when he/it pledges or charges any securities or interests in the securities of the Company beneficially owned by him/it directly or indirectly, immediately inform the Company, the Sponsor, and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and

(b) when he/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of the Company will be sold, transferred or disposed of, immediately inform the Company, the Sponsor, and the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) in writing of such indications and the number of securities and nature of interests affected.

The Company will inform the Stock Exchange as soon as we have been informed of the matters above (if any) by the Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

The Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that the Company will enter into the Placing Underwriting Agreement with, inter alia, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriters will agree to subscribe or purchase or procure subscribers or purchasers for the Placing Shares being offered pursuant to the Placing. The Placing Underwriting Agreement is expected to provide that it may be terminated on grounds similar to those provided in the Public Offer Underwriting Agreement. Potential investors are reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed.

It is expected that, pursuant to the Placing Underwriting Agreement, the Company, the executive Directors and the Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph headed "Underwriting Arrangements and Expenses — The Public Offer — Undertakings to the Public Offer Underwriters" in this section.

Commission and expenses

The Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Offer Shares, out of which it will (as the case may be) pay any sub-underwriting commissions. In addition, the Sponsor will receive financial advisory and documentation fees for acting as the Sponsor to the Share Offer. Such underwriting commission and fees, together with the Stock Exchange listing fee, legal and other professional fees, applicable printing and other expenses relating to the Distribution and the Share Offer are estimated to be about HK$38.5 million in total are to be borne by the Company.

Underwriters' interests in the Company

Save for the Underwriters' obligations and interests under the Underwriting Agreements as disclosed above, the Underwriters do not have any shareholding interest in the Company or any member of the Group or does not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

INDEPENDENCE OF THE SPONSOR

Messis Capital, being the Sponsor, satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

This prospectus is published in connection with the Public Offer as part of the Share Offer. The Share Offer consists of:

– the Public Offer of initially 3,782,500 Shares (subject to re-allocation as mentioned below) in Hong Kong as described below in the section headed “The Public Offer”; and

– the Placing of initially 34,040,000 Shares (subject to re-allocation as mentioned below in the section headed “The Placing”) outside the United States in reliance on Regulation S under the U.S. Securities Act.

Investors may apply for the Shares under the Public Offer or indicate an interest, if qualified to do so, for the Placing Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The Placing will involve selective marketing of the Shares to institutional and professional investors and other investors expected to have a sizeable demand for the Placing Shares in Hong Kong and other jurisdictions outside the United Sates in reliance on Regulation S under the U.S. Securities Act. The number of Shares to be offered under the Public Offer and the Placing respectively may be subject to re-allocation as described below in the section headed “Re-allocation of Offer Shares between the Public Offer and the Placing” in this prospectus.

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where supplied) and the number of Public Offer Shares successfully applied for under **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC via CCASS will be made available as described under the section headed “How to apply for the Public Offer Shares — 10. Publication of results” in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon the satisfaction of all of the following conditions:

1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer and any Shares, up to 10% of the Share in issue as at the Listing Date to be issued upon the exercise of any options which may be granted under the Share Option Scheme, on the Main Board (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

2. Underwriting Agreements

(a) The entering into of the Placing Underwriting Agreement between, among others, the Company and the Placing Underwriters; and

(b) the obligations of the Underwriters under the Underwriting Agreements remaining and becoming unconditional (or if relevant, as a result of the waiver of any conditions given by the Sole Bookrunner (for itself and on behalf of the Underwriters)), and not being terminated in accordance with their terms or otherwise.

Details of the Public Offer Underwriting Agreement and grounds for termination are set out in the section headed "Underwriting" in this prospectus. If for any reason, the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. If these conditions are not fulfilled on or before the time and date specified in the Underwriting Agreements or such later date as the Sole Bookrunner (for itself and on behalf of the Underwriters) may in its absolute discretion determine, the Share Offer will lapse and your application money will be refunded to you, without interest, and by post at your own risk. The terms on which your application money will be returned to you are set out under the paragraph headed "Refund of your money" in the relevant Application Forms.

In the meantime, your application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) licensed under the Banking Ordinance.

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of 37,822,500 Offer Shares will be made available under the Share Offer, of which 34,040,000 Placing Shares (subject to re-allocation), representing approximately 90% of the total number of Shares initially being offered under the Share Offer, will initially be offered for subscription or purchase under the Placing. The remaining 3,782,500 Public Offer Shares (subject to re-allocation), representing approximately 10% of the total number of Offer Shares initially being offered under the Share Offer, will initially be offered for subscription under the Public Offer. The number of Offer Shares offered for subscription under the Public Offer and the Placing will be subject to re-allocation on the basis described below. No pre-emption right or right to subscribe for the Offer Shares has been granted.

THE PUBLIC OFFER

Number of Offer Shares initially offered

The Company is initially offering, at the Offer Price, 3,782,500 Public Offer Shares (subject to re-allocation as mentioned in the paragraph headed "Re-allocation of Offer Shares between the Public Offer and the Placing" below), representing approximately 10% of the total number of Offer Shares being initially offered under the Share Offer, for subscription by members of the public in Hong Kong as well as institutional and professional investors under the Public Offer. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the terms and conditions of the Public Offer Underwriting Agreement. Applicants for the Public Offer Shares are required on application to pay the Offer Price plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee.

Allocation

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by each applicant. When there is over subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares. Multiple or suspected multiple applications and any application for more than 3,782,500 Public Offer Shares (being 100% of the initial number of Public Offer Shares) are liable to be rejected.

The Public Offer is subject to the conditions as stated in the paragraph headed "Conditions of the Share Offer" in this section above.

Application

The Sole Bookrunner (for itself and on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Sole Bookrunner so as to allow it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form 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 Placing, nor participated in the 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 (including conditionally and/or provisionally) Offer Shares under the Placing.

Re-allocation

The total number of Offer Shares to be issued or reallocated pursuant to the Public Offer may change as a result of the clawback arrangement described in "Re-allocation of Offer Shares between the Public Offer and the Placing" below and/or any reallocation of unsubscribed Offer Shares originally included in the Public Offer.

THE PLACING

Number of Offer Shares initially offered

The Company is initially offering 34,040,000 Placing Shares (subject to re-allocation as mentioned in the paragraph headed "Re-allocation of Offer Shares between the Public Offer and the Placing" below), representing approximately 90% of the total number of Offer Shares being initially offered under the Share Offer, for subscription at the Offer Price by way of Placing. The Placing will be managed by the Sole Bookrunner and is expected to be fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement. Pursuant to the Placing, it is expected that the Placing Underwriters or any selling agents which it nominates will, on behalf of the Company, conditionally place the Placing Shares at the Offer Price plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee with selected professional, institutional and other investors. Professional and institutional investors generally include brokers, dealers, companies and fund managers, whose ordinary businesses involve dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation

Allocation of the Placing Shares to professional, institutional and other investors pursuant to the Placing will be effected in accordance with the "book-building" process described in "Structure and conditions of the Share Offer — Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the investor is likely to purchase further Shares, or hold or sell the Shares placed, after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on the basis which would lead to the establishment of a solid broad shareholder base to the benefit of the Company and its Shareholders taken as a whole. Investors to whom Placing Shares are offered are required to undertake not to apply for the Public Offer Shares under the Public Offer. The Placing is subject to the conditions stated in the paragraph headed "Conditions of the Share Offer" in this section above.

Re-allocation

The total number of Offer Shares to be issued or reallocated pursuant to the Placing may change as a result of the clawback arrangement described in "Re-allocation of Offer Shares between the Public Offer and the Placing" below and/or any reallocation of unsubscribed Offer Shares originally included in the Public Offer.

PRICING AND ALLOCATION

The Offer Price is HK$2.30 unless otherwise announced, as further explained below. Applicants under the Public Offer must pay, on application, the Offer Price of HK$2.30 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$5,807.95 for one board lot of 2,500 Shares.

The Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire. This process, known as "book-building", is expected to continue up to, and to cease on or about, the last day for lodging applications under the Public Offer.

The Sole Bookrunner (on behalf of the Underwriters) may, where appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the Share Offer, and with the consent of the Company, reduce the number of Offer Shares offered and/or the Offer Price below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published on the websites of the Company and the Stock Exchange at **www.tongdahongtai.com** and **www.hkexnews.hk**, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price will be final and conclusive.

Before submitting applications for the Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price may not be made until the last day for lodging applications under the Public Offer. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares and/or the Offer Price will not be reduced. If the number of Offer Shares and/or the Offer Price is reduced, applicants who have submitted an application under the Public Offer will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

The level of indication of interest in the Placing, the level of applications in the Public Offer, the basis of allocations of the Public Offer Shares are expected to be made available through a variety of channels in the manner described in the section headed "How to apply for the Public Offer Shares — 10. Publication of results" in this prospectus.

RE-ALLOCATION OF OFFER SHARES BETWEEN THE PUBLIC OFFER AND THE PLACING

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation. If the Offer Shares under the Placing are fully subscribed or oversubscribed, and if the number of Offer Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times; (ii) 50 times or more but less than 100 times; and (iii) 100 times or more, of the number of Offer Shares initially available under the Public Offer, the total number of Offer Shares available under the Public Offer will be increased to 11,347,500, 15,130,000 and 18,912,500 Shares, respectively, representing approximately 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Share Offer, and such reallocation being referred to as "Mandatory Reallocation." In such cases, the number of Offer Shares allocated in the Placing will be correspondingly reduced, in such manner as the Sole Bookrunner deems appropriate.

If (i) the Offer Shares under the Placing are fully subscribed or oversubscribed, and if the number of Offer Shares validly applied for in the Public Offer represents 100% or more, but less than 15 times, of the number of Offer Shares initially available under the Public Offer; or (ii) the Offer Shares under the Placing are not fully subscribed, and if the number of Offer Shares validly applied for in the Public Offer represents 100% or more of the number of Offer Shares initially available under the Public Offer, the Sole Bookrunner may, at its discretion, reallocate the Offer Shares initially allocated from the Placing to the Public Offer to satisfy valid applications under the Public Offer, provided that the total number of Offer Shares available under the Public Offer shall not be increased to more than 7,565,000 Shares, representing double the number of Offer Shares initially available under the Public Offer and 20% of the total number of Offer Shares initially available under the Share Offer.

If the Public Offer is not fully subscribed, the Sole Bookrunner has the absolute discretion to re-allocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as it deems appropriate to satisfy the demand under the Placing. Subject to the aforesaid reallocation mechanism, the Public Offer Shares to be offered in the Public Offer and the Placing Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Bookrunner. Details of any re-allocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement, which is expected to be made on Thursday, 15 March 2018.

UNDERWRITING

The Public Offer and the Placing are fully underwritten by the Underwriters under the terms and conditions of the Underwriting Agreements. These underwriting arrangements, including the Underwriting Agreements, are summarised in the section headed "Underwriting" in this prospectus.

DEALINGS IN THE SHARES

Assuming that the Spin-off and the Listing becomes unconditional at 8:00 a.m. (Hong Kong time) on Friday, 16 March 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 16 March 2018.

The Shares will be traded in board lots of 2,500 Shares each and the stock code of the Shares is 2363.

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** Application Form or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Bookrunner and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** Application Form or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Bookrunner may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- are a Director or chief executive officer of the Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above;

- are a connected person or a core connected person (as defined in the Listing Rules) of the Company or will become a connected person or a core connected person of the Company immediately upon completion of the Share Offer; and

- have been allocated or have applied for or indicated an interest in any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Wednesday, 28 February 2018 to 12:00 noon on Monday, 5 March 2018 from:

(i) the following offices of the Underwriters:

Sinomax Securities Limited
Room 2705-6, 27th Floor
Tower One, Lippo Centre
89 Queensway
Hong Kong

Sinolink Securities (Hong Kong) Company Limited
Units 2505-06, 25th Floor
Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

RHB Securities Hong Kong Limited
12th Floor, World-Wide House
19 Des Voeux Road Central
Hong Kong

Changjiang Securities Brokerage (HK) Limited
Suite 1908, 19th Floor, Cosco Tower
183 Queen's Road Central
Hong Kong

(ii) any of the following branches of **Standard Chartered Bank (Hong Kong) Limited**:

District	Branch Name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building 4-4A, Des Voeux Road Central Central
	Aberdeen Branch	Shop 4A, G/F and Shop 1, 1/F Aberdeen Centre Site 5 No. 6-12 Nam Ning Street, Aberdeen
	Causeway Bay Branch	G/F to 2/F, Yee Wah Mansion 38-40A Yee Wo Street, Causeway Bay
Kowloon	Lok Fu Shopping Centre Branch	Shop G201, G/F Lok Fu Shopping Centre
	Mongkok Branch	Shop B, G/F, 1/F & 2/F 617-623 Nathan Road, Mongkok
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza 298 Sha Tsui Road, Tsuen Wan

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Wednesday, 28 February 2018 until 12:00 noon on Monday, 5 March 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** Application Form or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**HORSFORD NOMINEES LIMITED — TONGDA HONG TAI 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, 28 February 2018	**–**	**9:00 a.m. to 5:00 p.m.**
Thursday, 1 March 2018	**–**	**9:00 a.m. to 5:00 p.m.**
Friday, 2 March 2018	**–**	**9:00 a.m. to 5:00 p.m.**
Saturday, 3 March 2018	**–**	**9:00 a.m. to 1:00 p.m.**
Monday, 5 March 2018	**–**	**9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 5 March 2018, the last application day or such later time as described in the paragraph headed "9. Effect of bad weather on the opening of the application lists" in this section below.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (or 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 the Company, the Sponsor, the Sole Bookrunner or the Joint Lead Managers (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;

(ii) agree to comply with the Companies Law, the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Share Offer as set out in this prospectus;

(vi) agree that none of the Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;

(viii) agree to disclose to the Company, the Hong Kong Branch Share Registrar, receiving bank, the Sponsors, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(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 the Company, the Sponsors, the Sole Bookrunner, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your right and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the US Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Hong Kong branch share register of members as the holder(s) of any Public Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible and have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company, the Directors, the Sponsor, the Sole Bookrunner and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** Application Form or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by anyone 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** Application Form 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 his agent.

Additional instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**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.

You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Bookrunner and the Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant stock account;

- agree to accept the Public Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as his agent;

- confirm that you understand that the Company, the Directors, the Sponsor, the Sole Bookrunner and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between the Company 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, other than as set out in any supplement to this prospectus;

- agree that none of the Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, the Hong Kong Branch Share Registrar, receiving bank, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by the 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 Law, the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and 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 the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the Offer Price, brokerage fee, 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, refund of the application monies (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee but without interest) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,500 Public Offer Shares. Instructions for more than 2,500 Public Offer Shares must be in one of the numbers set out in the table in the relevant Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, 28 February 2018	**–**	**9:00 a.m. to 8:30 p.m.(1)**
Thursday, 1 March 2018	**–**	**8:00 a.m. to 8:30 p.m.(1)**
Friday, 2 March 2018	**–**	**8:00 a.m. to 8:30 p.m.(1)**
Saturday, 3 March 2018	**–**	**8:00 a.m. to 1:00 p.m.(1)**
Monday, 5 March 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, 28 February 2018, until 12:00 noon on Monday, 5 March 2018 (24 hours daily, except the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 5 March 2018, the last application day or such later time as described in the paragraph headed "9. Effect of bad weather on the opening of the application lists" in this section below.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed "Personal data" applies to any personal data held by the Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters and their respective advisers and agents take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/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 Monday, 5 March 2018.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange."

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Public Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 2,500 Public Offer Shares. Each application or **electronic application instructions** in respect of more than 2,500 Public Offer Shares must be in one of the numbers set out in the table in the relevant Application Form.

If your application is successful, brokerage fee will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure and conditions of the Share Offer" in this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 5 March 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 anytime between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 5 March 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" in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

The Company expects to announce the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 15 March 2018 on the Company's website at **www.tongdahongtai.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and dates and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.tongdahongtai.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Thursday, 15 March 2018;

- from the designated results of allocations website at **www.unioniporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8: 00 a.m. on Thursday, 15 March 2018, to 12:00 midnight on Wednesday, 21 March 2018;

- by telephone enquiry line by calling (852) 2843 6081 between 9:00 a.m. and 6:00 p.m. from Thursday, 15 March 2018, to Tuesday, 20 March 2018 on a business day; and

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 15 March 2018, to Monday, 19 March 2018, at all the designated receiving bank branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement published on the website of the Stock Exchange at **www.hkexnews.hk** and the website of the Company at **www.tongdahongtai.com** 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:

The Company, the Sponsor, the Sole Bookrunner, the Joint Lead Managers and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing 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 the 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) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company, the Sponsor, the Sole Bookrunner or the Joint Lead Managers believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application under the Public Offer is for more than 100% of the Public Offer Shares initially offered.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only or if the conditions of the Public Offer are not fulfilled in accordance with the paragraph headed "Structure and conditions of the Share Offer — Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage fee, 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 Thursday, 15 March 2018.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for.

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 before Thursday, 15 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. (Hong Kong time) on Friday, 16 March 2018, provided that the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised and the Share Offer has become unconditional. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal collection

*(i) If you apply using a **WHITE** Application Form*

If you apply for 1,000,000 or more Public Offer Shares, and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 15 March 2018, or such other date as notified by the Company.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 15 March 2018, by ordinary post and at your own risk.

*(ii) If you apply using a **YELLOW** Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions for collection of your refund cheque(s) as described in (i) above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 15 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 Thursday, 15 March 2018 or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "10. Publication of results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 15 March 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

*(iii) If you apply via **electronic application instructions** to HKSCC*

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 15 March 2018 or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "10. Publication of results" above on Thursday, 15 March 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 15 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 Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An operating guide for investor participants" in effect from time to time) on Thursday, 15 March 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications (including brokerage fee, 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 Thursday, 15 March 2018.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares 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 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, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Tongda Hong Tai Holdings Limited
Messis Capital Limited

Dear Sirs,

We report on the historical financial information of Tongda Hong Tai Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-44, which comprises the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated 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 the consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and 31 August 2017, and the statements of financial position of the Company as at 31 December 2016 and 31 August 2017 and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-44 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 28 February 2018 (the "**Prospectus**") in connection with the initial listing of the shares 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 the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors 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. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2014, 2015 and 2016 and 31 August 2017, the financial position of the Company as at 31 December 2016 and 31 August 2017 and of the financial performance and cash flows of the Group for each of the Track Record Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the eight months ended 31 August 2016 and other explanatory information (the "**Interim Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim 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 Interim 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 the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the management accounts of the Group have been made.

DIVIDENDS

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Periods.

NO HISTORICAL FINANCIAL STATEMENTS FOR THE COMPANY

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

28 February 2018

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on management accounts of the Group for the Track Record Periods.

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED INCOME STATEMENTS

	Notes	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2016	Eight months ended 31 August 2016	Eight months ended 31 August 2017
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
REVENUE	*5*	376,294	422,665	463,937	257,806	351,517
Cost of sales		(293,076)	(334,110)	(360,692)	(208,425)	(283,345)
Gross profit		83,218	88,555	103,245	49,381	68,172
Other income and gains, net	*5*	1,392	2,477	1,500	1,173	3,916
Selling and distribution expenses		(7,551)	(8,221)	(9,954)	(6,672)	(6,884)
General and administrative expenses		(39,181)	(43,345)	(55,781)	(38,391)	(40,364)
Other operating expenses, net		(1,378)	(669)	(937)	(1,099)	(2,405)
Finance costs	*6*	(1,003)	(2,866)	(6,583)	(3,463)	(5,396)
PROFIT BEFORE TAX	*7*	35,497	35,931	31,490	929	17,039
Income tax expense	*10*	(9,465)	(10,222)	(7,386)	(2,655)	(4,029)
PROFIT/(LOSS) FOR THE YEAR/PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		26,032	25,709	24,104	(1,726)	13,010

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	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/(LOSS) FOR THE YEAR/PERIOD	26,032	25,709	24,104	(1,726)	13,010
OTHER COMPREHENSIVE EXPENSE					
Other comprehensive expense to be reclassified to the income statement in subsequent periods:					
Exchange differences on translation of a foreign operation	(228)	(4,237)	(8,920)	(8,664)	(2,347)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR/PERIOD	25,804	21,472	15,184	(10,390)	10,663

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2014 HK$'000	As at 31 December 2015 HK$'000	As at 31 December 2016 HK$'000	As at 31 August 2017 HK$'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	116,976	127,615	109,360	104,292
Long term deposits	16	14,981	2,282	2,263	7,489
Total non-current assets		131,957	129,897	111,623	111,781
CURRENT ASSETS					
Inventories	14	173,283	235,429	269,712	311,183
Trade and bills receivables	15	145,442	135,297	214,959	192,400
Prepayments, deposits and other receivables	16	12,936	6,114	7,679	24,166
Due from the Remaining Group	26	1,102	–	180	734
Restricted bank balances	17	4,003	3,984	4,636	5,098
Cash and bank balances	17	20,813	41,136	31,349	13,795
Total current assets		357,579	421,960	528,515	547,376
CURRENT LIABILITIES					
Trade payables	18	92,939	71,698	87,499	84,983
Other payables and accruals	19	55,545	62,957	56,637	47,282
Due to the Remaining Group	26	190,478	143,671	61,019	43,822
Loan from the Remaining Group	26	–	19,387	–	–
Interest-bearing bank borrowings	20	59,962	78,432	192,822	228,528
Tax payable		5,317	3,945	210	1,917
Total current liabilities		404,241	380,090	398,187	406,532
NET CURRENT ASSETS/ (LIABILITIES)		(46,662)	41,870	130,328	140,844
TOTAL ASSETS LESS CURRENT LIABILITIES		85,295	171,767	241,951	252,625
Net assets		85,295	171,767	241,951	252,625
EQUITY					
Equity attributable to equity holders of the Company					
Issued capital	21	–	–	1,434	1,445
Reserves	22	85,295	171,767	240,517	251,180
Total equity		85,295	171,767	241,951	252,625

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					
	Issued capital	**Capital reserve**	**Statutory reserve fund**	**Exchange fluctuation reserve**	**Retained profits/ (accumulated losses)**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 21	*Note 22(b)*	*Note 22(a)*			
At 1 January 2014	–	80,000	2,694	3,697	(26,900)	59,491
Profit for the year	–	–	–	–	26,032	26,032
Other comprehensive expense for the year:						
Exchange differences on translation of a foreign operation	–	–	–	(228)	–	(228)
Total comprehensive income/(expense) for the year	–	–	–	(228)	26,032	25,804
Transfer to statutory reserve	–	–	2,896	–	(2,896)	–
At 31 December 2014 and 1 January 2015	–	80,000*	5,590*	3,469*	(3,764)*	85,295
Profit for the year	–	–	–	–	25,709	25,709
Other comprehensive expense for the year:						
Exchange differences on translation of a foreign operation	–	–	–	(4,237)	–	(4,237)
Total comprehensive income/(expense) for the year	–	–	–	(4,237)	25,709	21,472
Capital contribution from the Remaining Group	–	65,000	–	–	–	65,000
Transfer to statutory reserve	–	–	3,243	–	(3,243)	–
At 31 December 2015 and 1 January 2016	–	145,000*	8,833*	(768)*	18,702*	171,767

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	Attributable to equity holders of the Company					
	Issued capital HK$'000 Note 21	Capital reserve HK$'000 Note 22(b)	Statutory reserve fund HK$'000 Note 22(a)	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total equity HK$'000
At 31 December 2015 and 1 January 2016	–	145,000*	8,833*	(768)*	18,702*	171,767
Profit for the year	–	–	–	–	24,104	24,104
Other comprehensive expense for the year:						
Exchange differences related to translation of a foreign operation	–	–	–	(8,920)	–	(8,920)
Total comprehensive income/(expense) for the year	–	–	–	(8,920)	24,104	15,184
Capital contribution from the Remaining Group	–	55,000	–	–	–	55,000
Issue of shares	1,434	–	–	–	–	1,434
Acquisition of subsidiaries	–	(1,434)	–	–	–	(1,434)
Transfer to statutory reserve	–	–	3,263	–	(3,263)	–
At 31 December 2016 and 1 January 2017	1,434	198,566*	12,096*	(9,688)*	39,543*	241,951
Profit for the period	–	–	–	–	13,010	13,010
Other comprehensive expense for the period:						
Exchange differences related to translation of a foreign operation	–	–	–	(2,347)	–	(2,347)
Total comprehensive income/(expense) for the period	–	–	–	(2,347)	13,010	10,663
Issue of shares	11	–	–	–	–	11
At 31 August 2017	1,445	198,566*	12,096*	(12,035)*	52,553*	252,625
(Unaudited)						
At 31 December 2015 and 1 January 2016	–	145,000	8,833	(768)	18,702	171,767
Loss for the period	–	–	–	–	(1,726)	(1,726)
Other comprehensive expense for the period:						
Exchange differences related to translation of a foreign operation	–	–	–	(8,664)	–	(8,664)
Total comprehensive expense for the period	–	–	–	(8,664)	(1,726)	(10,390)
Capital contribution from the Remaining Group	–	55,000	–	–	–	55,000
Issue of shares	1,434	–	–	–	–	1,434
Acquisition of subsidiaries	–	(1,434)	–	–	–	(1,434)
At 31 August 2016	1,434	198,566	8,833	(9,432)	16,976	216,377

* These reserve accounts comprise the consolidated reserves of HK$85,295,000, HK$171,767,000, HK$240,517,000 and HK$251,180,000 as at the end of each of the Track Record Periods in the consolidated statements of financial position.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	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
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		35,497	35,931	31,490	929	17,039
Adjustments for:						
Finance costs	6	1,003	2,866	6,583	3,463	5,396
Depreciation	7	18,386	19,412	20,280	13,729	13,733
Bank interest income	5	(36)	(55)	(125)	(98)	(78)
Loss on disposal of items of property, plant and equipment	7	3	–	–	–	7
Impairment of trade receivables	7	–	669	871	517	703
Provision/(write-back of provision) for inventories	7	–	1,930	(409)	(188)	2,172
		54,853	60,753	58,690	18,352	38,972
Increase in inventories		(83,284)	(64,076)	(33,874)	(52,765)	(43,643)
Decrease/(increase) in trade and bills receivables		(40,051)	9,476	(80,533)	(14,072)	21,856
Decrease/(increase) in prepayments, deposits and other receivables		(5,500)	6,822	(1,565)	1,623	(16,487)
Increase/(decrease) in balances with the Remaining Group		27,584	(45,705)	(82,832)	(82,723)	(17,740)
Increase/(decrease) in trade payables		36,341	(21,241)	15,801	(8,541)	(2,516)
Increase/(decrease) in other payables and accruals		(407)	7,412	(6,320)	(2,581)	(9,355)
Exchange realignment		271	212	(4,582)	(4,473)	(2,649)
Cash used in operations		(10,193)	(46,347)	(135,215)	(145,180)	(31,562)
Interest paid		(1,003)	(2,479)	(6,583)	(3,850)	(5,396)
Overseas taxes paid		(12,194)	(11,594)	(11,121)	(6,861)	(2,322)
Net cash flows used in operating activities		(23,390)	(60,420)	(152,919)	(155,891)	(39,280)

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Notes	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)	
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		36	55	125	98	78
Purchases of items of property, plant and equipment		(5,724)	(19,065)	(5,678)	(5,429)	(7,417)
Increase in long term deposits		(14,981)	(2,282)	(2,263)	(597)	(7,489)
Decrease/(increase) in restricted bank balances		(2,729)	19	(652)	(371)	(462)
Exchange realignment		(6)	(649)	(291)	(284)	(64)
Net cash flows used in investing activities		(23,404)	(21,922)	(8,759)	(6,583)	(15,354)
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank loans		170,577	170,299	279,859	167,199	243,409
Repayment of bank loans		(110,615)	(151,829)	(165,469)	(68,424)	(207,703)
Capital contributions from the Remaining Group		–	65,000	55,000	55,000	–
Loan from/(repayment of loan to) the Remaining Group		–	19,000	(19,387)	(19,000)	–
Exchange realignment		–	2,047	4,550	4,441	1,777
Net cash flows from financing activities		59,962	104,517	154,553	139,216	37,483
NET INCREASE/(DECREASE) IN CASH AND BANK BALANCES		13,168	22,175	(7,125)	(23,258)	(17,151)
Cash and bank balances at beginning of year/period		7,647	20,813	41,136	41,136	31,349
Effect of foreign exchange rate changes, net		(2)	(1,852)	(2,662)	(2,555)	(403)
CASH AND BANK BALANCES AT END OF YEAR/PERIOD		20,813	41,136	31,349	15,323	13,795
ANALYSIS OF BALANCES OF CASH AND BANK BALANCES						
Cash and bank balances		24,816	45,120	35,985	19,678	18,893
Less: Restricted bank balances		(4,003)	(3,984)	(4,636)	(4,355)	(5,098)
		20,813	41,136	31,349	15,323	13,795

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Note	**As at 31 December 2016** *HK$'000*	**As at 31 August 2017** *HK$'000*
NON CURRENT ASSET			
Investment in a subsidiary		219,319	219,319
CURRENT ASSETS			
Prepayments		23	2
Bank balance		1	7,070
Total current assets		24	7,072
CURRENT LIABILITIES			
Due to the Remaining Group		281	7,728
Due to subsidiaries		97	104
Total current liabilities		378	7,832
NET CURRENT LIABILITIES		(354)	(760)
TOTAL ASSETS LESS CURRENT LIABILITIES		218,965	218,559
Net assets		218,965	218,559
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*21*	1,434	1,445
Reserves		217,531	217,114
Total equity		218,965	218,559

II. NOTES TO HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal activity of the Company consists of investment holding. The Company's subsidiaries are involved in notebook and tablet casing manufacturing.

In the opinion of the directors of the Company, Tongda Group Holdings Limited ("**TDHL**"), a company incorporated in the Cayman Islands and listed on The Stock Exchange of Hong Kong Limited, is the Company's ultimate holding company.

For the purpose of the Historical Financial Information, the Company and its subsidiaries are hereinafter collectively referred to as the "Group"; whereas TDHL and its subsidiaries, but excluding the Group, are collectively referred to as the "Remaining Group".

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private limited liability companies (or, if incorporated/registered outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of business	Issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Tongda HT Holdings (BVI) Limited *(note (a))*	British Virgin Islands ("**BVI**") 23 March 2016	US$2	100	Investment holding
Indirectly held				
Tongda HT Technology (HK) Company Limited *(note (b))*	Hong Kong 1 April 2016	HK$2	100	Investment holding
Indirectly held				
通達宏泰科技(蘇州)有限公司 (Tongda HT Technology (Suzhou) Company Limited) *(notes (c), (d))*	The People's Republic of China (the "**PRC**")/ Mainland China 27 March 2010	HK$200,000,000 (2016: HK$200,000,000 2015: HK$145,000,000; 2014: HK$80,000,000)	100	Manufacture and sales of accessories for electrical appliance products

Notes:

(a) No audited financial statements have been prepared for this entity since its incorporation as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

(b) No audited financial statements have been prepared for this entity since its incorporation.

(c) This entity was registered as a wholly-foreign-owned enterprise under the PRC law.

(d) The statutory financial statements for the years ended 31 December 2014, 2015 and 2016 prepared under PRC Generally Accepted Accounting Principles were audited by 江蘇新瑞會計師事務所有限公司, certified public accountants registered in the PRC.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" to the Prospectus, the Company became the holding company of the companies now comprising the Group on 31 May 2016. As the Reorganisation only involved inserting new holding companies at the top of an existing company (i.e., Tongda HT Technology (Suzhou) Company Limited) and has not resulted in any change of economic substances, the Historical Financial Information for the Track Record Periods has been presented as a continuation of the existing company using the pooling of interests method as if the Reorganisation has been completed at the beginning of the Track Record Periods.

Accordingly, the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group are prepared as if the current group structure had been in existence throughout the Track Record Periods. The consolidated statements of financial position of the Group as at 31 December 2014 and 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at those dates.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2017, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Periods.

The Historical Financial Information has been prepared under the historical cost convention.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this Historical Financial Information.

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]
HKFRS9	*Financial Instruments*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to the following two HKFRSs – HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*[1] – HKAS 28 *Investments in Associates and Joint Ventures*[1]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC) Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC) Interpretation 23	*Uncertainty over Income Tax Treatments*[2]

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 No mandatory effective date yet determined but available for adoption

The Group is in the process of making a high-level assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether they would have a significant impact on the Group's financial performance and financial position. Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets.

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent, licences of intellectual property and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard.

The Group performed a preliminary assessment of HKFRS 15 and expects to adopt HKFRS 15 on 1 January 2018. The impact to the Group includes more comprehensive disclosure as required by the new standard. Based on the current business model, the Group does not expect that the adoption of HKFRS 15 will have a significant impact on the financial statements in the period of initial application.

HKFRS 16 was issued by the HKICPA in May 2016, which provides a comprehensive model for the identification of lease arrangements and their accounting treatment in the financial statements of both lessors and lessees. The new standard maintains substantially the lessor accounting requirements in the current HKAS 17 *Leases*.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, while lease liability will be subsequently increased by the interest accrual, which will be charged to the income statement, and deducted by lease payments. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. For lessors, there is little change to existing accounting in HKAS 17 *Leases*. The Group expects to adopt HKFRS 16 on 1 January 2019.

As disclosed in note 24 to Historical Financial Information, the Group had total future minimum lease payments under non-cancellable operating lease as at 31 August 2017 amounting to HK$20,505,000. The directors do not expect the adoption of HKFRS 16 would result in a significant impact on the Group's financial performance but expect that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Group has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(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 the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any 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. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over the estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms or 5 years, whichever is shorter
Plant and machinery	10 – 12 years
Furniture, fixtures and office equipment	3 – 10 years
Motor vehicles	5 – 10 years

Estimated residual values are determined as 5% to 10% of the original purchase cost of each individual underlying asset.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Construction in progress represents leasehold improvements under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the income statement. The loss arising from impairment is recognised in the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, amounts due to the Remaining Group and a loan due to the Remaining Group.

Loans and borrowings

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and bank balances comprise cash on hand and at banks and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Other employee benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

This Historical Financial Information is presented in Hong Kong dollar, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities of the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statements of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the years are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Borrowing costs

Borrowing costs 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. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the Historical Financial Information:

Withholding taxes arising from the distributions of dividends

The Group's determination as to whether to accrue for withholding taxes from the distribution of dividends from a subsidiary in the PRC according to the relevant tax jurisdiction is subject to judgement on the timing of the payment of the dividend, where the Group considered that if it is probable that the profits of the subsidiary in the PRC will not be distributed in the foreseeable future, then no withholding taxes should be provided.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision against inventories

Management of the Group reviews the ageing analysis of inventories at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. Management estimates the net realisable value for such finished goods and work in progress based primarily on the latest invoice prices and current market conditions.

Impairment of trade and bills receivables

Impairment of trade and bills receivables is made by assessing the recoverability of trade and bills receivables based on credit history, historical payment pattern, ageing of receivable balances and prevailing market conditions. The identification of doubtful debts requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of the receivables as well as doubtful debt expenses or write-back of doubtful debt in the period in which such estimate has been changed. Further details of the trade and bills receivables are given in note 15.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture of the casings of notebook and tablet. Almost all of the Group's products are of a similar nature and subject to similar risks and returns. Accordingly, the Group's operating activities are attributable to a single reportable operating segment.

In addition, the Group's revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, Mainland China, which is the Group's principal place of business and operations. Therefore, no analysis by geographical region is presented.

Information about major customers

Revenue derived from sales to individual customers which contribute over 10% of the total revenue of the Group during the Track Record Periods is 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*
Customer A	142,522	126,942	159,410	76,645	208,128
Customer B	181,062	233,256	210,354	145,651	100,348
	323,584	360,198	369,764	222,296	308,476

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of the Group's other income and gains is 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*
Other income and gains, net					
Bank interest income	36	55	125	98	78
Sale of scrap materials	1,279	264	1,278	1,028	228
Government grants*	–	37	76	25	3,610
Foreign exchange differences, net	–	2,121	–	–	–
Others	77	–	21	22	–
	1,392	2,477	1,500	1,173	3,916

* There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

	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*
Interests on bank borrowings	1,003	2,479	6,172	3,051	5,396
Interest on a loan from the Remaining Group	–	387	411	412	–
	1,003	2,866	6,583	3,463	5,396

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at 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*	*HK$'000*
				(Unaudited)	
Cost of inventories sold[1]	293,076	334,110	360,692	208,425	283,345
Depreciation	18,386	19,412	20,280	13,729	13,733
Research and development costs[2]	11,671	13,503	14,267	8,559	10,589
Minimum lease payments under operating leases	3,812	6,005	4,505	3,000	3,325
Employee benefit expense (excluding directors' remuneration – note 8):					
Salaries and wages	57,813	69,101	66,392	43,692	39,846
Pension scheme contributions	3,425	3,984	7,144	11,333	2,908
	61,238	73,085	73,536	55,025	42,754
Auditor's remuneration	30	30	30	–	–
Impairment of trade receivables*	–	669	871	517	703
Provision/(write-back of provision) for inventories	–	1,930	(409)	(188)	2,172
Loss on disposal of items of property, plant and equipment*	3	–	–	–	7
Foreign exchange differences, net	1,375	(2,121)	66	582	1,695

* Impairment of trade receivables and loss on disposal of items of property, plant and equipment are included in "Other operating expenses, net" on the face of the consolidated income statements.

1 Cost of inventories sold includes HK$63,587,000, HK$79,154,000, HK$75,892,000, HK$56,573,000 and HK$48,214,000 relating to employee benefit expense, operating lease rentals, provision/(write-back of provision) for inventories, and depreciation, which are also included in the respective total amounts disclosed above for each of these types of expenses for the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, respectively.

2 Research and development costs include HK$5,504,000, HK$8,303,000, HK$9,582,000, HK$6,036,000 and HK$8,187,000 relating to depreciation of a research and development centre and employee benefit expense for research and development activities, which are also included in the respective total amounts disclosed above for each of these types of expenses for the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, respectively.

8. DIRECTORS' REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors at any time during the years ended 31 December 2014 and 2015, since the Company was only incorporated on 21 March 2016.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	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*
Fees	–	–	–	–	–
Salaries, allowances and benefits in kind	–	–	500	281	445
Pension scheme contributions	–	–	144	80	128
	–	–	644	361	573

(a) Independent non-executive directors

Subsequent to the end of the Track Record Periods, Ms. Leung Pik Kwan, Mr. Sun Wai Hong and Mr. Wu Kin San Alfred were appointed as the independent non-executive directors of the Company on 8 February 2018. There were no fees or other emoluments payable to independent non-executive directors during the Track Record Periods.

(b) Executive directors

During the Track Record Periods, Mr. Wong Ming Li, Mr. Wang Ming Zhi and Mr. Wong Ah Yu were appointed as the executive directors of the Company on 21 March 2016, 21 March 2016 and 19 April 2016, respectively.

	Fees	**Salaries, allowances, and benefits in kind**	**Pension scheme contributions**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2016				
Mr. Wong Ming Li	–	248	72	320
Mr. Wang Ming Zhi	–	252	72	324
Mr. Wong Ah Yu	–	–	–	–
	–	500	144	644

	Fees	Salaries, allowances, and benefits in kind	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(Unaudited)				
Eight months ended 31 August 2016				
Mr. Wong Ming Li	–	138	40	178
Mr. Wang Ming Zhi	–	143	40	183
Mr. Wong Ah Yu	–	–	–	–
	–	281	80	361

	Fees	Salaries, allowances, and benefits in kind	Pension scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Eight months ended 31 August 2017				
Mr. Wong Ming Li	–	219	64	283
Mr. Wang Ming Zhi	–	226	64	290
Mr. Wong Ah Yu	–	–	–	–
	–	445	128	573

During the years ended 31 December 2014 and 2015, there were no fees or other emoluments payable to the executive directors.

(c) Non-executive director

During the Track Record Periods, Mr. Wang Ya Nan was appointed as a non-executive director of the Company on 19 April 2016. There were no fees or other emoluments payable to the non-executive director during the Track Record Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2014 and 2015 included 5 non-director employees and the year ended 31 December 2016 and the eight months ended 31 August 2016 and 2017 included 4 non-director employees, details of whose remuneration 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*	*HK$'000*
				(Unaudited)	
Salaries, allowances and benefits in kind	633	834	1,951	1,368	1,595
Pension scheme contributions	212	277	296	282	203
	845	1,111	2,247	1,650	1,798

The number of these non-director and non-chief executive, highest paid employees whose remuneration fell within the following 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	5	5	4	4	4

During the Track Record Periods, no remuneration was paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017. Taxes on profits assessable in Mainland China have been calculated at the prevailing tax rates.

	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)	
Current tax – Mainland China					
Charge for the year/period	9,465	10,222	6,178	2,655	4,029
Underprovision in prior years	–	–	1,208	–	–
Total tax charge for the year/period	9,465	10,222	7,386	2,655	4,029

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rates to the tax expense at the Group's effective tax rates is as follows:

	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	35,497	35,931	31,490	929	17,039
Tax at the statutory tax rate	8,874	8,982	8,936	1,076	5,279
Lower applicable tax rate	–	–	(4,400)	(1,085)	(2,904)
Adjustments in respect of current tax of prior years	–	–	1,208	–	–
Expenses not deductible for tax	591	1,240	2,223	2,692	2,543
Income not subject to tax	–	–	(685)	(28)	(889)
Others	–	–	104	–	–
Tax charge at the Group's effective rate	9,465	10,222	7,386	2,655	4,029

Pursuant to the Corporate Income Tax Law of the PRC being effective on 1 January 2008, the income tax is unified at 25% for all enterprises in Mainland China.

通達宏泰科技(蘇州)有限公司 (Tongda HT Technology (Suzhou) Company Limited), as a High New Technology Enterprise, is subject to a preferential tax rate of 15% starting from the year ended 31 December 2016 for three years.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable to withholding taxes on dividends distributed by a subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

Deferred tax has not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of a subsidiary of the Group established in Mainland China. In the opinion of the directors, it is not probable that this subsidiary will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with the subsidiary in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$80,323,000 as at 31 August 2017 (2016: HK$55,316,000; 2015: HK$18,702,000; 2014: Nil).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

11. DIVIDEND

No dividend has been paid or declared by the Company since the date of its incorporation.

12. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful in connection with the Reorganisation.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
31 December 2014						
Cost:						
At 1 January 2014	18,095	130,240	9,916	3,205	1,394	162,850
Additions	–	2,899	693	–	2,521	6,113
Disposals	–	–	(6)	–	–	(6)
Transfers	3,910	–	–	–	(3,910)	–
Exchange realignment	(69)	(493)	(38)	(12)	(5)	(617)
At 31 December 2014	21,936	132,646	10,565	3,193	–	168,340
Accumulated depreciation:						
At 1 January 2014	1,745	25,762	4,077	1,523	–	33,107
Provided during the year	3,230	12,849	2,079	228	–	18,386
Disposals	–	–	(3)	–	–	(3)
Exchange realignment	(6)	(99)	(15)	(6)	–	(126)
At 31 December 2014	4,969	38,512	6,138	1,745	–	51,364
Net book value:						
At 31 December 2014	16,967	94,134	4,427	1,448	–	116,976
31 December 2015						
Cost:						
At 1 January 2015	21,936	132,646	10,565	3,193	–	168,340
Additions	1,550	27,786	724	–	3,986	34,046
Transfers	2,658	–	628	–	(3,286)	–
Exchange realignment	(749)	(4,530)	(361)	(109)	–	(5,749)
At 31 December 2015	25,395	155,902	11,556	3,084	700	196,637
Accumulated depreciation:						
At 1 January 2015	4,969	38,512	6,138	1,745	–	51,364
Provided during the year	3,833	13,240	1,865	474	–	19,412
Exchange realignment	(169)	(1,315)	(210)	(60)	–	(1,754)
At 31 December 2015	8,633	50,437	7,793	2,159	–	69,022
Net book value:						
At 31 December 2015	16,762	105,465	3,763	925	700	127,615

	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
31 December 2016						
Cost:						
At 1 January 2016	25,395	155,902	11,556	3,084	700	196,637
Additions	1,162	4,011	1,189	–	1,598	7,960
Transfers	746	1,519	–	–	(2,265)	–
Exchange realignment	(1,181)	(7,251)	(538)	(143)	(33)	(9,146)
At 31 December 2016	26,122	154,181	12,207	2,941	–	195,451
Accumulated depreciation:						
At 1 January 2016	8,633	50,437	7,793	2,159	–	69,022
Provided during the year	4,451	14,236	1,393	200	–	20,280
Exchange realignment	(402)	(2,346)	(363)	(100)	–	(3,211)
At 31 December 2016	12,682	62,327	8,823	2,259	–	86,091
Net book value:						
At 31 December 2016	13,440	91,854	3,384	682	–	109,360
31 August 2017						
Cost:						
At 1 January 2017	26,122	154,181	12,207	2,941	–	195,451
Additions	79	9,363	56	182	–	9,680
Write-off	–	–	–	(163)	–	(163)
Exchange realignment	(241)	(1,421)	(113)	(27)	–	(1,802)
At 31 August 2017	25,960	162,123	12,150	2,933	–	203,166
Accumulated depreciation:						
At 1 January 2017	12,682	62,327	8,823	2,259	–	86,091
Provided during the period	3,112	9,776	709	136	–	13,733
Write-off	–	–	–	(156)	–	(156)
Exchange realignment	(118)	(574)	(81)	(21)	–	(794)
At 31 August 2017	15,676	71,529	9,451	2,218	–	98,874
Net book value:						
At 31 August 2017	10,284	90,594	2,699	715	–	104,292

14. INVENTORIES

	As at 31 December			As at 31 August
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	52,566	47,403	28,608	39,363
Work in progress	49,636	64,921	71,342	106,501
Finished goods	71,081	123,105	169,762	165,319
	173,283	235,429	269,712	311,183

As at 31 December 2014, 2015 and 2016 and 31 August 2017, moulds of HK$4,343,000, HK$3,088,000, HK$1,950,000 and HK$1,931,000, respectively, were included in finished goods.

15. TRADE AND BILLS RECEIVABLES

	As at 31 December			As at 31 August
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	145,063	134,701	216,468	194,598
Impairment	–	(669)	(1,509)	(2,198)
	145,063	134,032	214,959	192,400
Bills receivables	379	1,265	–	–
	145,442	135,297	214,959	192,400

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to four months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. As at 31 December 2014, 2015 and 2016 and 31 August 2017, 66.2%, 54.4%, 22.9% and 65.4% of the total trade and bills receivables, and 92.8%, 91%, 86.6% and 95.8% of the total trade and bills receivables, were due from the Group's largest customer and the five largest customers, respectively.

An aged analysis of the Group's trade and bills receivables as at the end of each of the Track Record Periods, based on the invoice date and net of provisions, is as follows:

	As at 31 December			As at 31 August
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 3 months	136,142	129,318	184,392	150,129
4 to 6 months, inclusive	9,300	5,979	30,567	42,271
	145,442	135,297	214,959	192,400

The movements in provision for impairment of trade receivables are as follows:

	As at 31 December			As at 31 August
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the year/period	–	–	669	1,509
Impairment of trade receivables *(note 7)*	–	669	871	703
Exchange realignment	–	–	(31)	(14)
At the end of the year/period	–	669	1,509	2,198

As at 31 August 2017, included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$2,198,000 (31 December 2016: HK$1,509,000; 31 December 2015: HK$669,000) with a carrying amount before provision of HK$2,198,000 (31 December 2016: HK$1,884,000; 31 December 2015: HK$1,359,000). The individually impaired trade receivables relate to customers that have been overdue for a long time and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade and bills receivables that are not considered to be impaired is as follows:

	As at 31 December			As at 31 August
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Neither past due nor impaired	144,726	134,607	214,584	191,908
Within 3 months	–	–	–	492
4 to 6 months, inclusive	716	–	–	–
	145,442	134,607	214,584	192,400

Receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good repayment record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in trade receivables as at 31 December 2016 was an amount due from Suzhou Jiatai Material Technology Co., Ltd ("**Suzhou Jiatai**"), a company established in the PRC, of HK$21,876,000 arising from the Group's sales to Suzhou Jiatai. Suzhou Jiatai is also the Group's subcontractor and one of the Group's landlords for the leasing of factory premises and staff quarters. During the year ended 31 December 2016 and the eight months ended 31 August 2017, the Group's sales to and subcontracting fee charged by Suzhou Jiatai amounted to HK$18,697,000 and HK$2,931,000, and HK$2,248,000 and HK$24,986,000, respectively. The lease rentals charged by Suzhou Jiatai amounted to HK$1,574,000, HK$1,457,000 and HK$916,000, respectively, during the years ended 31 December 2015 and 2016 and the eight months ended 31 August 2017.

As at 31 August 2017, HK$2,353,000 included in "Prepayments, deposits and other receivables" on the face of the consolidated statement of financial position, represented prepayments for subcontracting services made by the Group to Suzhou Jiatai.

In addition, the Remaining Group had provided financial assistance to Suzhou Jiatai up to HK$58,140,000 during the years ended 31 December 2015 and 2016 and HK$65,084,000 during the eight months ended 31 August 2017, of which HK$55,930,000 and HK$54,436,000 remained outstanding as at 31 December 2016 and 31 August 2017, respectively.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			As at 31 August
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepayments	1,222	2,681	6,080	16,593
Deposits and other receivables	26,695	5,715	3,862	15,062
	27,917	8,396	9,942	31,655
Less: Non-current portion for purchases of items of property, plant and equipment	(14,981)	(2,282)	(2,263)	(7,489)
Current portion	12,936	6,114	7,679	24,166

As at 31 December 2014, 2015 and 2016 and 31 August 2017, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

17. RESTRICTED BANK BALANCES AND CASH AND BANK BALANCES

	As at 31 December			As at 31 August
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances	24,816	45,120	35,985	18,893
Less: Restricted bank balances *(note)*	(4,003)	(3,984)	(4,636)	(5,098)
	20,813	41,136	31,349	13,795

As at 31 December 2014, 2015, 2016 and 31 August 2017, the cash and bank balances of the Group denominated in RMB amounted to HK$873,000, HK$4,740,000, HK$4,899,000 and HK$2,193,000, respectively. RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earn interest at floating rates based on daily bank deposit rates. The bank balances and restricted bank balances are deposited with creditworthy banks with no recent history of default.

Note: Pursuant to the requirement from the PRC Customs, the Group has to maintain certain cash balances in a designated bank account for the Group's import purchases. The restricted bank balances of HK$5,098,000 as at 31 August 2017 have been released to the extent of HK$1,434,000 up to the date of this report.

18. TRADE PAYABLES

The trade payables are non-interest-bearing and are normally settled on one to four months terms. An aged analysis of the Group's trade payables as at the end of each of the Track Record Periods, based on the invoice date, is as follows:

	As at 31 December			As at 31 August
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 3 months	71,658	63,803	73,753	71,842
4 to 6 months, inclusive	21,271	7,637	13,746	13,141
7 to 9 months, inclusive	10	242	–	–
10 to 12 months, inclusive	–	–	–	–
More than 1 year	–	16	–	–
	92,939	71,698	87,499	84,983

19. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at 31 August
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables	2,259	7,355	6,664	5,016
Accruals	53,286	55,602	49,973	42,266
	55,545	62,957	56,637	47,282

Other payables are non-interest-bearing and payable on demand.

20. INTEREST-BEARING BANK BORROWINGS

	As at 31 December 2014			As at 31 December 2015			As at 31 December 2016			As at 31 August 2017		
	Effective interest rate (%)	*Maturity*	*HK$'000*	*Effective interest rate (%)*	*Maturity*	*HK$'000*	*Effective interest rate (%)*	*Maturity*	*HK$'000*	*Effective interest rate (%)*	*Maturity*	*HK$'000*
Current and repayable within one year												
Bank loans – unsecured	4.5%/ LIBOR + 3%	2015	59,962	4.5%/ LIBOR + 3%	2016	78,432	4.2%/ People's Bank of China rate/ LIBOR + 3%	2017	192,822	4.2%/ People's Bank of China rate/ LIBOR + 2.5% to 3%	2018	228,528
			59,962			78,432			192,822			228,528

Notes:

(a) The Group's bank borrowings are all denominated in United States dollar and RMB.

(b) As at 31 August 2017, the Group's banking facilities were supported by the corporate guarantees executed by the Remaining Group to the extent of HK$331,634,000 (31 December 2016: HK$254,000,000; 31 December 2015: HK$126,000,000; 31 December 2014: HK$70,000,000), of which an aggregate amount of HK$228,528,000 (31 December 2016: HK$192,822,000; 31 December 2015: HK$78,432,000; 31 December 2014: HK$59,962,000) was utilised.

21. ISSUED CAPITAL

The Company was incorporated on 21 March 2016 with an initial authorised share capital of HK$380,000 divided into 38,000,000 shares of a par value of HK$0.01 each. On 21 March 2016, 1 ordinary share of HK$0.01 each was issued and allotted by the Company at par to its then shareholder.

On 27 May 2016, the authorised share capital of the Company was increased from HK$380,000 to HK$10,000,000 by the creation of an additional 962,000,000 shares of HK$0.01 each. On 31 May 2016, the Company issued 143,391,249 shares of HK$0.01 each credited as fully paid to its then shareholder.

On 3 January 2017, the Company allotted and issued 1,120,000 shares of HK$0.01 each credited as fully paid to Tong Da Holdings (BVI) Limited ("**Tong Da Holdings**"), a wholly-owned subsidiary of TDHL, by way of capitalising an amount due from the Company to Tong Da Holdings of HK$11,200 at that date.

On 23 February 2018, the Company allotted and issued 6,781,888 shares each credited as fully paid to Tong Da Holdings, by way of capitalising an amount due from the Company to Tong Da Holdings of HK$45,000,000 at that date.

22. RESERVES

The amounts of the Group's reserves and the movements therein for the Track Record Periods are presented in the consolidated statements of changes in equity of this report.

(a) Statutory reserve fund

In accordance with the Company Law of the PRC, the Company's subsidiary registered in the PRC is required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages. The amount of the transfer is subject to the approval of the board of directors of this subsidiary.

(b) Capital reserve

The capital reserve of the Group represents the capital contributions from the then equity holder of a subsidiary now comprising the Group before the completion of the Reorganisation.

23. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

(i) During the years ended 31 December 2014, 2015 and 2016 and the eight months ended 31 August 2016 and 2017, deposits for the purchases of items of property, plant and equipment of HK$389,000, HK$14,981,000, HK$2,282,000, HK$2,282,000 and HK$2,263,000, respectively, were utilised for settlement of the purchase considerations of items of the property, plant and equipment (note 16).

(ii) During the year ended 31 December 2015 and the eight months ended 31 August 2016, accrued interest of HK$387,000 was included in the loan from the Remaining Group which was paid upon repayment of the loan during the year ended 31 December 2016.

(iii) During the year ended 31 December 2016, the Company issued 143,391,249 shares of HK$0.01 each credited as fully paid to its then shareholder and the amount of approximately HK$1,434,000 was included in the amount due from the Remaining Group.

(iv) During the eight months ended 31 August 2017, the Company issued 1,120,000 shares of HK$0.01 each credited as fully paid to Tong Da Holdings by way of capitalising an amount due by the Company to Tong Da Holdings of HK$11,200.

(b) Reconciliation of liabilities arising from financing activities

	Interest-bearing bank borrowings *HK$'000*	**Loan from/ (repayment of loan to) the Remaining Group** *HK$'000*	**Total** *HK$'000*
At 1 January 2014	–	–	–
Finance cash flows	59,962	–	59,962
At 31 December 2014 and at 1 January 2015	59,962	–	59,962
Finance cash flows	20,517	19,000	39,517
Non-cash changes			
Accrued interests	–	387	387
Effect of changes in foreign exchange	(2,047)	–	(2,047)
At 31 December 2015 and at 1 January 2016	78,432	19,387	97,819
Finance cash flows	118,940	(19,387)	99,553
Non-cash changes			
Effect of changes in foreign exchange	(4,550)	–	(4,550)
At 31 December 2016 and at 1 January 2017	192,822	–	192,822
Finance cash flows	37,483	–	37,483
Non-cash changes			
Effect of changes in foreign exchange	(1,777)	–	(1,777)
At 31 August 2017	228,528	–	228,528

24. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its factory, office premises and staff quarters under operating lease arrangements which are negotiated for terms of one to ten years.

At the end of each of the Track Record Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 31 August
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	3,112	3,562	3,140	3,637
In the second to fifth years, inclusive	11,544	16,112	12,572	10,613
After five years	1,203	9,168	7,284	6,255
	15,859	28,842	22,996	20,505

25. COMMITMENTS

In addition to the operating lease commitments set out in note 24 above, the Group had the following capital commitments contracted but not provided for at the end of each of the Track Record Periods.

	As at 31 December			As at 31 August
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted, but not provided for:				
Purchases of items of property, plant and equipment	4,306	2,923	10,047	2,739

26. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in this report, the Group had the following transactions with related parties during the Track Record Periods:

		Year ended 31 December			Eight months ended 31 August	
	Notes	2014	2015	2016	2016	2017
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Remaining Group:						
Sales of products	*(i)*	1,326	242	68	65	–
Purchases of products	*(ii)*	627	–	314	54	1,340
Interest expense	*(iii)*	–	387	411	412	–

Notes:

(i) The sales to the Remaining Group were made on mutually agreed terms.

(ii) The purchases from the Remaining Group were made on mutually agreed terms.

(iii) The interest expense in respect of a loan from the Remaining Group, which is repayable within one year, was chargeable at 3% per annum.

(b) Save as disclosed elsewhere in this report, balances with the Remaining Group were unsecured, interest-free and have no fixed terms of repayment. As at the end of each of the Track Record Periods, amounts due from/(to) the Remaining Group were of non-trade nature.

(c) Compensation of key management personnel 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*	*HK$'000*
				(Unaudited)	
Short term employee benefits	353	426	2,751	1,250	2,263
Post-employment benefits	118	141	527	271	393
Total compensation paid to key management personnel	471	567	3,278	1,521	2,656

Further details of directors' emoluments are included in note 8 to the Historical Financial Information.

27. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Track Record Periods are as follows:

Financial assets – loans and receivables

	As at 31 December			As at 31 August
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills receivables	145,442	135,297	214,959	192,400
Financial assets included in prepayments, deposits and other receivables	2,952	2,893	523	2,201
Due from the Remaining Group	1,102	–	180	734
Restricted bank balances	4,003	3,984	4,636	5,098
Cash and bank balances	20,813	41,136	31,349	13,795
	174,312	183,310	251,647	214,228

Financial liabilities – financial liabilities at amortised cost

	As at 31 December			As at 31 August
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	92,939	71,698	87,499	84,983
Financial liabilities included in other payables and accruals	2,188	6,840	7,123	6,601
Due to the Remaining Group	190,478	143,671	61,019	43,822
Loan from the Remaining Group	–	19,387	–	–
Interest-bearing bank borrowings	59,962	78,432	192,822	228,528
	345,567	320,028	348,463	363,934

The directors consider the carrying amounts of all other financial assets and financial liabilities measured at amortised cost approximated to their fair values as at the end of each of the Track Record Periods.

28. TRANSFERRED FINANCIAL ASSETS

(i) Transferred financial assets that are not derecognised in their entirety

The following table provides a summary of financial assets that have been transferred in such a way that part of the transferred financial assets do not qualify for derecognition, together with the associated liabilities:

(a) Bills endorsement under the Law of Negotiable Instruments of the PRC

	As at 31 December			As at 31 August
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount of assets that continued to be recognised	253	1,265	–	–
Carrying amount of associated liabilities	253	1,265	–	–

As at 31 December 2014 and 2015, the Group endorsed certain bills receivable accepted by certain local banks and a financial institution in the PRC (the "**Endorsed Bills**") with a carrying amount of HK$253,000 and HK$1,265,000, respectively, to certain of its suppliers in order to settle the trade payables due to such suppliers (the "**Endorsement**"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to the Endorsed Bills, and accordingly, it continued to recognise the full carrying amount of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amounts of the trade payables settled by the Endorsed Bills during the Track Record Periods to which the suppliers have recourse were HK$253,000 and HK$1,265,000 as at 31 December 2014 and 2015, respectively.

(b) Trade receivables factoring

As part of its normal business, the Group entered into a trade receivable factoring arrangement (the "**Arrangement**") and transferred certain trade receivables to a bank. Under the Arrangement, the Group may be required to reimburse the bank for loss of interest if any trade debtors have late payment up to 180 days. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The original carrying value of the trade receivables transferred under the Arrangement that have not been settled as at 31 August 2017 was HK$77,267,000 (31 December 2016: HK$55,614,000; 31 December 2015: HK$14,672,000; 31 December 2014: HK$24,775,000). The carrying amount of the assets that the Group continued to recognise as at 31 August 2017 was HK$69,540,000 (31 December 2016: HK$50,053,000; 31 December 2015: HK$13,211,000; 31 December 2014: HK$24,775,000) and that of the associated liabilities as at 31 August 2017 was HK$69,540,000 (31 December 2016: HK$50,053,000; 31 December 2015: HK$13,211,000; 31 December 2014: HK$24,775,000).

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, trade payables, other receivables and other payables which arise directly from its operations.

It is, and has been throughout the Track Record Periods, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The interest rates of the interest-bearing bank borrowings and loan from the Remaining Group of the Group are disclosed in notes 20 and 26, respectively, to this report.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rate of United States dollar and RMB, with all other variables held constant, of the Group's profit before tax through the impact on floating rate borrowings.

	Increase/ (decrease) in percentage points	**Increase/ (decrease) in the Group's profit before tax** *HK$'000*
Year ended 31 December 2014		
United States dollar	0.5	(124)
United States dollar	(0.5)	124
Year ended 31 December 2015		
United States dollar	0.5	(66)
United States dollar	(0.5)	66
Year ended 31 December 2016		
United States dollar	0.5	(250)
United States dollar	(0.5)	250
RMB	0.5	(288)
RMB	(0.5)	288
Eight months ended 31 August 2017		
United States dollar	0.5	(568)
United States dollar	(0.5)	568
RMB	0.5	(204)
RMB	(0.5)	204
Eight months ended 31 August 2016 (Unaudited)		
United States dollar	0.5	(140)
United States dollar	(0.5)	140
RMB	0.5	(217)
RMB	(0.5)	217

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sale and purchase transactions and cash and bank balances denominated in United States dollar, Hong Kong dollar and RMB.

The majority of the Group's operating assets are located in Mainland China and denominated in RMB. As the Group's net profit is reported in Hong Kong dollar, there will be a translation gain/loss as a result of the RMB appreciation/depreciation.

The following table demonstrates the sensitivity at the end of each of the Track Record Periods to a reasonably possible change in the United States dollar/Hong Kong dollar and RMB exchange rates, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in RMB rate	**Increase/ (decrease) in the Group's profit before tax**
	%	*HK$'000*
Year ended 31 December 2014		
If HK dollar weakens against RMB	5	329
If HK dollar strengthens against RMB	(5)	(329)
If United States dollar weakens against RMB	5	(2,575)
If United States dollar strengthens against RMB	(5)	2,575
Year ended 31 December 2015		
If HK dollar weakens against RMB	5	1,316
If HK dollar strengthens against RMB	(5)	(1,316)
If United States dollar weakens against RMB	5	(2,194)
If United States dollar strengthens against RMB	(5)	2,194
Year ended 31 December 2016		
If HK dollar weakens against RMB	5	411
If HK dollar strengthens against RMB	(5)	(411)
If United States dollar weakens against RMB	5	(381)
If United States dollar strengthens against RMB	(5)	381
Eight months ended 31 August 2017		
If HK dollar weakens against RMB	5	413
If HK dollar strengthens against RMB	(5)	(413)
If United States dollar weakens against RMB	5	796
If United States dollar strengthens against RMB	(5)	(796)
Eight months ended 31 August 2016 (Unaudited)		
If HK dollar weakens against RMB	5	411
If HK dollar strengthens against RMB	(5)	(411)
If United States dollar weakens against RMB	5	2,459
If United States dollar strengthens against RMB	(5)	(2,459)

Credit risk

The Group trades only 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. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

As at 31 August 2017, the Group had certain concentrations of credit risk as 65.4% (31 December 2016: 22.9%; 31 December 2015: 54.4%; 31 December 2014: 66.2%) and 95.8% (31 December 2016: 86.6%; 31 December 2015: 91.0%; 31 December 2014: 92.8%) of the Group's trade and bills receivables were due from the Group's largest customer and the five largest customers, respectively.

The credit risk of the Group's other financial assets, which comprise cash and bank balances and financial assets included in prepayments, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 15 to the Historical Financial Information.

Liquidity risk

The Group aims at maintaining a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings.

The maturity profile of the Group's financial liabilities as at the end of each of the Track Record Periods, based on the contractual undiscounted payments, is within one year.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Periods.

The Group monitors capital using a gearing ratio, which is net debt over total equity. Net debt includes interest-bearing bank borrowings and loan from the Remaining Group, less cash and bank balances and restricted bank balances.

The gearing ratio as at the end of each of the Track Record Periods was as follows:

	As at 31 December			As at 31 August
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank borrowings	59,962	78,432	192,822	228,528
Loan from the Remaining Group	–	19,387	–	–
Less: Cash and bank balances	(20,813)	(41,136)	(31,349)	(13,795)
Less: Restricted bank balances	(4,003)	(3,984)	(4,636)	(5,098)
Net debt	35,146	52,699	156,837	209,635
Total equity	85,295	171,767	241,951	252,625
Gearing ratio	41%	31%	65%	83%

30. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to 31 August 2017.

The information set forth below does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the financial information included in the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET ASSETS OF THE GROUP

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the Group's consolidated net tangible assets as of 31 August 2017 or any future date following the completion of the Spin-off. It is prepared based on the Group's consolidated financial information as of 31 August 2017 as set forth in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. This unaudited pro forma statement of adjusted consolidated net tangible assets does not form part of the Accountants' Report as set forth in Appendix I to this prospectus.

	Consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31 August 2017	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of the Company as at 31 August 2017	Unaudited pro forma adjusted net tangible assets per Share
	(note 1)	*(note 2)*		*(note 3)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on an Offer Price of HK$2.30 per Share	252,625	78,306	330,931	1.7

Notes:

1. The consolidated net tangible assets attributable to the equity holders of the Company as at 31 August 2017 is extracted from the Accountants' Report set forth in Appendix I to this prospectus.

2. The estimated net proceeds from the Share Offer are based on the Offer Price of HK$2.30 per Share after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share is based on 189,115,638 Shares assumed to be in issue immediately following the completion of the Share Offer but takes no account of any Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.

4. The unaudited pro forma adjusted consolidated net tangible assets of the Group and the unaudited pro forma adjusted consolidated net tangible assets per Share have not taken into account the capitalisation of amounts due to the Remaining Group of HK$45 million subsequent to 31 August 2017. Had the capitalisation of HK$45 million been taken into account, the unaudited pro forma adjusted consolidated net tangible assets per Share would have been increased to HK$2.0.

5. No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequently to 31 August 2017.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Tongda Hong Tai Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Tongda Hong Tai Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information (the "**Pro Forma Financial Information**") consists of the pro forma consolidated net tangible assets as at 31 August 2017, and related notes as set out on page IIA-1 of the prospectus dated 28 February 2018 issued by the Company (the "**Prospectus**"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Section A of Appendix IIA to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of public offer and placing of shares of the Company on the Group's financial position as at 31 August 2017 as if the transaction had taken place at 31 August 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the eight months ended 31 August 2017, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies 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*, and accordingly maintains 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 Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of public offer and placing of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the 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 adjustment is appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

28 February 2018

The estimated consolidated profit attributable to owners of the Company for the year ended 31 December 2017 is set out in the section headed "Financial information — Profit estimate" in this prospectus.

A. BASES

The Directors have prepared the estimate of the consolidated profit attributable to owners of the Company for the year ended 31 December 2017 (the "**Profit Estimate**") on the basis of (i) the audited consolidated results of the Group for the eight months ended 31 August 2017; and (ii) the unaudited consolidated results based on the management accounts of the Group for the four months ended 31 December 2017. The Profit Estimate has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by the Group as set out in note 2 of Section II of the accountants' report set out in Appendix I to this prospectus.

B. LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

28 February 2018

The Board of Directors
Tongda Hong Tai Holdings Limited
Messis Capital Limited

Dear Sirs,

Tongda Hong Tai Holdings Limited (the "Company")

Profit estimate for year ended 31 December 2017

We refer to the estimate of the consolidated profit attributable to equity holders of the Company for the year ended 31 December 2017 (the "**Profit Estimate**") set forth in the section headed "Financial Information" in the prospectus of the Company dated 28 February 2018 (the "**Prospectus**").

Directors' responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the eight months ended 31 August 2017 and the unaudited consolidated 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.

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies 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*, and accordingly maintains 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 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 as set out on page IIB-1 of 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 28 February 2018, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

C. LETTER FROM THE SPONSOR

The following is the text of a letter, prepared for inclusion in this prospectus by the Sponsor, in connection with the estimate of the consolidated profit attributable to the owners of the Company for the year ended 31 December 2017.

MESSIS 大有融資

Room 1606, 16th Floor
Tower 2, Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

28 February 2018

The Board of Directors
Tongda Hong Tai Holdings Limited

Dear Sirs,

We refer to the estimate of the consolidated profit attributable to the owners of Tongda Hong Tai Holdings Limited (the "**Company**", together with its subsidiaries, hereinafter collectively referred to as the "**Group**") for the year ended 31 December 2017 (the "**Profit Estimate**") as set out in the prospectus issued by the Company dated 28 February 2018 (the "**Prospectus**").

The Profit Estimate, for which the directors of the Company (the "**Directors**") are solely responsible, has been prepared by the Directors, based on (i) the audited consolidated results for the eight months ended 31 August 2017; and (ii) the unaudited consolidated results of the Group based on the management accounts for the four months ended 31 December 2017.

We have discussed with you the bases upon which the Profit Estimate has been made. We have also considered the letter dated 28 February 2018 addressed to you and us from Ernst & Young 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 basis of the accounting policies and calculations adopted by you and reviewed by Ernst & Young, we are of the opinion that the Profit Estimate, for which the Directors are solely responsible, has been made after due and careful enquiry.

For and on behalf of
Messis Capital Limited
Thomas Lai
Chief Executive Officer

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 March 2016 under the Companies Law. The Company's constitutional documents consist of the Memorandum and the Articles.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 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 or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly 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.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) in this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 12 April 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Register of Beneficial Ownership

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The register of beneficial ownership is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the Company is listed on the Stock Exchange, it is not required to maintain a register of beneficial ownership.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation of the Company

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 21 March 2016. The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 10 May 2016 and the principal place of business in Hong Kong is at Room 1203, 12th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong. In connection with such registration, Mr. Wang Ya Nan, a non-executive Director, has been appointed as the authorised representative of the Company for the purpose of acceptance of service of processes and notices on behalf of the Company in Hong Kong.

As the Company was incorporated in the Cayman Islands, the Company operates subject to the Companies Law and the constitutional documents of the Company, which comprise the Memorandum of Association and the Articles of Association. A summary of certain provisions of the constitutional documents of the Company and certain aspects of the Companies Law are set out in Appendix III to this prospectus.

2. Changes in share capital of the Company

(a) The authorised share capital of the Company on the date of its incorporation was HK$380,000 divided into 38,000,000 Shares. On 21 March 2016, one fully paid Share was allotted and issued to the initial subscriber, which was transferred to Tong Da Holdings on the same date at HK$0.01;

(b) On 27 May 2016, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 Shares to HK$10,000,000 divided into 1,000,000,000 Shares by the creation of an additional 962,000,000 Shares, which rank pari passu in all respects with the existing Shares;

(c) On 31 May 2016, the Company allotted and issued 143,391,249 Shares to Tong Da Holdings, credited as fully paid, in consideration of (i) Tongda Shanghai transferring the entire equity interest in Tongda Suzhou to Tongda Hong Kong for the consideration of HK$200,000,000, which was satisfied by Tongda Hong Kong allotting and issuing one share of Tongda Hong Kong, credited as fully paid, to Tongda BVI (as a nominee of Tongda Shanghai); and (ii) in consideration of Tongda Shanghai nominating Tongda BVI to hold one share of Tongda Hong Kong, Tongda BVI allotted and issued one share of Tongda BVI, credited as fully paid, to the Company;

(d) on 3 January 2017, the Company allotted and issued 1,120,000 fully paid Shares to Tong Da Holdings by way of capitalising the amount due by the Company to Tong Da Holdings in the sum of HK$11,200; and

(e) on 23 February 2018, the Company allotted and issued 6,781,888 fully paid Shares to Tong Da Holdings by way of capitalising the amount due by the Company to Tong Da Holdings in the sum of HK$45,000,000.

Immediately following completion of the Spin-off and the Listing, the authorised share capital of the Company will be HK$10,000,000 divided into 1,000,000,000 Shares, of which 189,115,638 Shares will be in issue, fully paid or credited as fully-paid, and 810,884,362 Shares will remain unissued.

Other than pursuant to the exercise of any options which may be granted under the Share Option Scheme, the Directors do not have any present intention to issue any part of the authorised but unissued share capital of the Company and no issue of Shares which would effectively alter the control of the Company will be made without the prior approval of Shareholders in the general meeting.

Save as disclosed above, there has been no alteration in the share capital of the Company since the date of its incorporation.

3. Written resolutions of the sole Shareholder passed on 8 February 2018

On 8 February 2018, written resolutions of the sole Shareholder were passed pursuant to which, among other matters:

(a) the Company approved and adopted the Articles to be effective conditional on the Listing;

(b) conditional upon (1) the Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus; and (2) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional or waived and the Underwriting Agreements not being terminated in accordance with their terms or otherwise:

(i) the Share Offer was approved and the Directors were authorised to (1) implement the Share Offer; (2) allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be required to be allotted and issued on and subject to the terms and conditions stated in this prospectus and the relevant Application Forms; and (3) do all things and execute all documents in connection with or incidental to the Share Offer with such modifications, amendments, variations or otherwise as the Directors may consider necessary or appropriate; and

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in the section headed "D. Share Option Scheme — Summary of terms of the Share Option Scheme" of this Appendix IV, were approved and adopted and the Directors were authorised, among others, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme;

(c) a general unconditional mandate was given to the Directors to allot, issue and deal with (otherwise than by way of a rights issue or any scrip dividend schemes or similar arrangements in accordance with the Articles of Association or the exercise of any of the subscription rights attaching to any options which may be granted under the Share Option Scheme) Shares not exceeding the sum of (i) 20% of the number of Shares in issue immediately following completion of the Spin-off and the Listing; and (ii) the number of Shares repurchased by the Company pursuant to the authority granted to the Directors as referred in paragraph (d) below, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or any laws applicable to the Company to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first;

(d) the Repurchase Mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase Shares not exceeding 10% of the number of Shares in issue immediately following completion of the Spin-off and the Listing, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or any laws applicable to the Company to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first; and

(e) conditional on the passing of the resolutions referred to in sub-paragraphs (c) and (d) above, the general unconditional mandate mentioned in subparagraph (c) above was extended by the addition of the aggregate number of Shares which may be allotted, issued or dealt with by the Directors pursuant to such general unconditional mandate of the aggregate number of Shares repurchased by the Company pursuant to the Repurchase Mandate referred to in sub-paragraph (d) above.

4. Corporate reorganisation

Please refer to the section headed "History, Reorganisation and corporate structure" in this prospectus for further details.

5. Changes in the share capital of subsidiaries of the Company

Tongda BVI

(i) On 31 May 2016, in consideration of Tongda Shanghai nominating Tongda BVI to hold one share of Tongda Hong Kong, Tongda BVI allotted and issued one share of Tongda BVI, credited as fully paid, to the Company; and

(ii) After the above transaction, Tongda BVI has an issued share capital of US$2.00 divided into two shares of US$1.00 each.

Tongda Hong Kong

(i) On 31 May 2016, Tongda Hong Kong allotted and issued one share of Tongda Hong Kong, credited as fully paid, to Tongda BVI (as a nominee of Tongda Shanghai) after Tongda Shanghai transferred the entire equity interest in Tongda Suzhou to Tongda Hong Kong for the consideration of HK$200,000,000; and

(ii) After the above transaction, Tongda Hong Kong has two issued shares.

Tongda Suzhou

(i) On 27 March 2010, Tongda Suzhou was established in the PRC as a wholly foreign owned enterprise with a registered and paid up capital of HK$80,000,000; and

(ii) On 9 June 2015, the registered capital of Tongda Suzhou was increased from HK$80,000,000 to HK$200,000,000, and such registered capital was fully paid up on 14 January 2016.

Save as disclosed above, there has been no change in the share capital of any of the subsidiaries of the Company during the Track Record Period.

6. Particulars of subsidiaries of the Company

As at the Latest Practicable Date, the Group has three subsidiaries, namely Tongda BVI, Tongda Hong Kong and Tongda Suzhou. Set out below is a summary of the corporate information of Tongda BVI, Tongda Hong Kong and Tongda Suzhou:

(a) Tongda BVI

Date of incorporation:	23 March 2016
Registered office:	P.O. Box 957 Offshore Incorporations Centre Road Town, Tortola, BVI
Nature:	Limited liability company
Principle business activities:	Investment holding
Issued share capital:	US$2.00
Paid-up share capital:	US$2.00
Shareholder:	the Company

(b) Tongda Hong Kong

Date of incorporation:	1 April 2016
Registered office:	Room 1203, 12th Floor Shui On Centre, 6-8 Harbour Road Wanchai, Hong Kong
Nature:	Limited liability company
Principle business activities:	Investment holding
Issued shares:	2 shares
Shareholder:	Tongda BVI

(c) Tongda Suzhou

Date of establishment:	27 March 2010
Registered office:	常熟市沙家浜鎮常昆工業園區南新路 (South New Road, Changkun Industrial Zone, Shajiabang Town, Changshu City*)
Nature:	Limited liability company
Principle business activities:	Manufacture of casings of notebook and tablet
Registered capital:	HK$200,000,000
Paid up capital:	HK$200,000,000
Shareholder:	Tongda Hong Kong

* *for identification purpose only*

7. Repurchase by the Company of Shares

This paragraph includes information relating to the repurchase of the Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Relevant legal and regulatory requirements

The Listing Rules permit the Shareholders to grant the Directors a general mandate to repurchase Shares that are listed on the Stock Exchange subject to certain restrictions, details of which are summarised below:

(i) Shareholders' approval

All proposed repurchase of Shares (which must be fully paid up) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

The Repurchase Mandate was granted to the Directors by the sole Shareholder pursuant to written resolutions of the sole Shareholder dated 8 February 2018 authorising them to exercise all powers of the Company to repurchase Shares of not exceeding 10% of the number of Shares in issue immediately following the completion of the Spin-off and the Listing until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or any laws applicable to the Company to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors, whichever is the earliest.

(ii) Source of funds

Repurchase of Shares must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles, the Listing Rules and the applicable laws of Hong Kong, the Cayman Islands and any other laws and regulations applicable to the Company. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the Listing Rules. Under the Companies Law, any repurchase of Shares by the Company may be made out of profits or share premium of the Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of either or both of the profits of the Company or from sums standing to the credit of the share premium account of the Company. Subject to the provisions of the Companies Law, a repurchase of Shares may also be made out of capital.

(iii) Trading restrictions

The Company may repurchase up to 10% of the number of Shares in issue immediately following the completion of the Spin-off and the Listing. The Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Stock Exchange. The Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. The broker appointed by the Company to effect a repurchase of Shares is required to disclose to the Stock Exchange any information with respect to a Share repurchase as the Stock Exchange may require.

In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(iv) Status of Shares repurchased

All Shares repurchased (whether on the Stock Exchange or otherwise) will be cancelled and the certificates for those Shares must be cancelled and destroyed. Under the Cayman Islands law, a company's shares repurchased may be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the shares repurchased accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

Repurchase of Shares are prohibited after inside information has come to the Company's knowledge, or development which may constitute inside information has occurred or has been the subject of a decision until such time as the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the results of the Company for any year, half-year or quarter-year period or any other interim period (whether or not required under the Listing Rules); and (bb) the deadline for the Company to announce its results for any year or half-year period under the Listing Rules, or quarter-year period or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the Company may not repurchase its securities on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to prohibit repurchase of Shares on the Stock Exchange if the Company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchase of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Business Day following any day on which the Company makes a repurchase of Shares.

In addition, the Company's annual report and accounts are required to disclose details regarding repurchase of Shares made during the financial year under review, including the number of Shares repurchased each month (whether on the Stock Exchange or otherwise) and the purchase price per Share or the highest and lowest price paid for all such repurchase, where relevant, and the aggregate price paid. The directors' report is also required to contain reference to the repurchase made during the year and the directors' reasons for making such repurchase.

(vii) Core connected persons

According to the Listing Rules, a 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 such company or any of its subsidiaries or any of their close associate and a core connected person shall not knowingly sell his/her/its securities to the company on the Stock Exchange.

(b) Reasons for repurchase

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have a general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or earnings per Share and will only be made when the Directors believe that such repurchase will benefit the Company and the Shareholders.

(c) Funding of repurchase

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles, the Listing Rules and the applicable laws of Hong Kong, the Cayman Islands and any other laws and regulations applicable to the Company.

On the basis of the current financial position of the Group as disclosed in this prospectus and taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate is to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this prospectus. The Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 189,115,638 Shares in issue as enlarged immediately after completion of the Tongda Distribution and the Share Offer, would result in up to 18,911,563 Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

None of the Directors nor, to the best of their knowledge, information and belief, having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to the Company or its subsidiaries.

The 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 Memorandum and Articles, the Listing Rules and the applicable laws of Hong Kong, the Cayman Islands and any other laws and regulations applicable to the Company.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Code. Save as aforesaid, the Directors are not presently aware of any consequences which would arise under the Code as a consequence of any repurchase pursuant to the Repurchase Mandate immediately after the Spin-off and the Listing.

No core connected person (as defined in the Listing Rules) has notified the Company that he/she/it has a present intention to sell his/her/its Shares to the Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by any member of the Group within the two years immediately preceding the date of this prospectus and are or may be material in relation to the business of the Group taken as a whole:-

(a) the equity transfer agreement dated 20 April 2016 and entered into between Tongda Shanghai and Tongda Hong Kong pursuant to which Tongda Shanghai agreed to sell and Tongda Hong Kong agreed to purchase the entire equity interest in Tongda Suzhou in the consideration of HK$200,000,000;

(b) the Deed of Indemnity;

(c) the Deed of Non-competition;

(d) the Public Offer Underwriting Agreement;

(e) the capitalisation agreement dated 3 January 2017 and entered into between the Company and Tong Da Holdings pursuant to which Tong Da Holdings agreed to subscribe and the Company agreed to allot and issue 1,120,000 new Shares which was satisfied by capitalising the amount due by the Company to Tong Da Holdings in the sum of HK$11,200; and

(f) the capitalisation agreement dated 23 February 2018 and entered into between the Company and Tong Da Holdings pursuant to which Tong Da Holdings agreed to subscribe and the Company agreed to allot and issue 6,781,888 new Shares which was satisfied by capitalising the amount due by the Company to Tong Da Holdings in the sum of HK$45,000,000.

2. Intellectual property rights of the Group

(a) Patents

As at the Latest Practicable Date, the Group has registered the following patents:

No.	Patent name	Patent number	Type	Name of registered proprietor	Place of registration	Date of registration	Expiry date
1.	Film laminating process for notebook computer metal shell (筆記本金屬外殼覆膜工藝)	ZL 201310653443.6	Invention patent	Tongda Suzhou	PRC	3 June 2015	4 December 2033
2.	Method for spraying paint on surfaces of notebook computer shell (筆電類殼體的表面噴漆方法)	ZL 201310652005.8	Invention patent	Tongda Suzhou	PRC	5 August 2015	4 December 2033
3.	Notebook shell and moulding process thereof (一種筆記本殼體的成型工藝)	ZL 201210433647.4	Invention patent	Tongda Suzhou	PRC	6 February 2013	25 October 2032
4.	Gluing jig for notebook case (筆記本外殼膠合治具)	ZL 201320775604.4	Utility model patent	Tongda Suzhou	PRC	7 May 2014	28 November 2023
5.	Notebook casing (筆記本外殼)	ZL 201320797408.7	Utility model patent	Tongda Suzhou	PRC	7 May 2014	4 December 2023
6.	Positioning jig for adhering film to notebook touchpad (筆記本觸摸板貼膜定位治具)	ZL 201320775423.1	Utility model patent	Tongda Suzhou	PRC	7 May 2014	28 November 2023
7.	Hot runner type three-plate mould for producing notebook shell (用於生產筆記本殼體的熱流道式三板模)	ZL 201320773928.4	Utility model patent	Tongda Suzhou	PRC	7 May 2014	28 November 2023
8.	Notebook shell surface-mount leakage automatic-detection machine (自動檢測筆記本殼體表面貼裝漏件機)	ZL 201320775273.4	Utility model patent	Tongda Suzhou	PRC	7 May 2014	28 November 2023
9.	Machine for attaching aluminum foil on casing of notebook (筆記本外殼鋁箔貼附機)	ZL 201320775554.X	Utility model patent	Tongda Suzhou	PRC	14 May 2014	28 November 2023

No.	Patent name	Patent number	Type	Name of registered proprietor	Place of registration	Date of registration	Expiry date
10.	Mould monitoring device (模具監控設備)	ZL 201320774219.8	Utility model patent	Tongda Suzhou	PRC	9 July 2014	28 November 2023
11.	Outer cover construction of notebook computer (筆記本電腦外蓋結構)	ZL 200820102519.0	Utility model patent	Tongda Suzhou	PRC	18 March 2009	2 June 2018
12.	Covering film for outer cover of notebook computer (用於筆記本電腦外蓋的覆蓋膜)	ZL 200820102520.3	Utility model patent	Tongda Suzhou	PRC	18 March 2009	2 June 2018
13.	Notebook shell (一種筆記本殼體)	ZL 201220558141.1	Utility model patent	Tongda Suzhou	PRC	10 April 2013	25 October 2022
14.	Baseplate for tablet personal computer (一種平板電腦上用的底板)	ZL 201320325403.4	Utility model patent	Tongda Suzhou	PRC	13 November 2013	2 June 2023
15.	Jig for protective film cover of LCD monitor frame (用於液晶顯示器邊框上貼附保護膜的治具)	ZL 201620380643.8	Utility model patent	Tongda Suzhou	PRC	31 August 2016	28 April 2026
16.	Jig for shaping optical drive of notebook computer during plastic deformation of substrate (用於對筆記本電腦塑膠料基板光驅處變形進行整形的治具)	ZL 201620380679.6	Utility model patent	Tongda Suzhou	PRC	31 August 2016	28 April 2026
17.	Jig for adhering protective film cover to notebook computer keyboard (用於筆記本電腦鍵盤上蓋貼附保護膜的治具)	ZL 201620380748.3	Utility model patent	Tongda Suzhou	PRC	31 August 2016	28 April 2026
18.	Frame for LCD monitor (用於液晶顯示器的邊框)	ZL 201620380951.0	Utility model patent	Tongda Suzhou	PRC	7 September 2016	28 April 2026
19.	LCD monitor (液晶顯示器)	ZL 201620381201.5	Utility model patent	Tongda Suzhou	PRC	31 August 2016	28 April 2026

No.	Patent name	Patent number	Type	Name of registered proprietor	Place of registration	Date of registration	Expiry date
20.	Jig for adhering aluminum foil to the back of the LCD monitor (用於液晶顯示器後蓋上貼附鋁箔的治具)	ZL 201620381657.1	Utility model patent	Tongda Suzhou	PRC	31 August 2016	28 April 2026
21.	Comprehensive buckle mould (全周內扣成型模具)	ZL 201620382350.3	Utility model patent	Tongda Suzhou	PRC	31 August 2016	28 April 2026
22.	A type of LCD monitor (一種液晶顯示器)	ZL 201620383077.6	Utility model patent	Tongda Suzhou	PRC	31 August 2016	28 April 2026
23.	Outer cover of portable computer and structural improvement of keyboard upper cover (手提電腦外蓋和鍵盤上蓋的結構改進)	ZL200820101566.3	Utility model patent	Tongda Suzhou	PRC	18 March 2009	2 March 2018

As at the Latest Practicable Date, the Group has applied for registration of the following patents which is material to the business of the Group:

No.	Patent name	Application number	Type	Applicant	Place of registration	Date of application
1.	一種四軸式伺服點膠機 A four-axis servo dispensing machine	201820123004.2	Utility model patent	Tongda Suzhou	PRC	25 January 2018
2.	一種分體式熱壓治具 A split hot pressing fixture	201820123016.5	Utility model patent	Tongda Suzhou	PRC	25 January 2018
3.	一種熱熔腳墊治具 A thermofusible mat fixture	201820123030.5	Utility model patent	Tongda Suzhou	PRC	25 January 2018
4.	一種具有可轉動的產品固定平台的鐳雕機 A laser engraving machine with a rotatable product fixing platform	201820123034.3	Utility model patent	Tongda Suzhou	PRC	25 January 2018
5.	用於筆記本電腦外殼埋釘的多功能治具 Multi-purpose fixture for buried studs in laptop shells	201820158826.4	Utility model patent	Tongda Suzhou	PRC	30 January 2018

No.	Patent name	Application number	Type	Applicant	Place of registration	Date of application
6.	預埋釘筆記本電腦外殼注塑模具 Embedded nail notebook shell injection mould	201820159007.1	Utility model patent	Tongda Suzhou	PRC	30 January 2018
7.	一種用於筆記本電腦邊框粘合工藝的治具 A jig for the notebook computer frame bonding process	201820157331.X	Utility model patent	Tongda Suzhou	PRC	30 January 2018
8.	一種連接有攝像頭燈的筆記本電腦顯示幕 A laptop screen with camera lights attached	201820157332.4	Utility model patent	Tongda Suzhou	PRC	30 January 2018
9.	一種除屑裝置 A chip removing device	201820157639.4	Utility model patent	Tongda Suzhou	PRC	30 January 2018
10.	用於筆記本電腦外殼壓合用治具 A lamination fixture for laptop shell	201820158768.5	Utility model patent	Tongda Suzhou	PRC	30 January 2018

(b) Trademarks

As at the Latest Practicable Date, the Group has registered the following trademarks which are material to the business of the Group:

Trademark	Class	Place of registration	Registration number	Registered owner	Registration date	Expiry date
通達宏泰 TONGDA HONG TAI	9(Note)	Hong Kong	303844729	The Company	21 July 2016	20 July 2026

Note: Class 9: resistors, capacitors, switches, membrane touch switches, transformers, household appliance control panels; electrical data input, processing, transmission, storage and output devices, metallic casings; electrical and electronic components and parts for computers, notebooks, tablets and communication apparatus; data processing programs; all included in Class 9.

(c) Domain name

As at the Latest Practicable Date, the Group has registered the following domain name:

Domain name	Registered owner	Registration date	Expiry date
tongdahongtai.com	the Company	4 May 2016	4 May 2020

C. FURTHER INFORMATION ABOUT THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Interest and short positions of Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company

Immediately following completion of the Tongda Distribution and the Share Offer (taking no account of any Shares which may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), the interests and short positions of each of the Directors and the chief executive in the Shares, underlying shares and debentures of the Company which, once the Shares are listed, will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Name	Capacity/ Nature of interests	Number of Shares *(Note 1)*	Approximate percentage of interest in the Company held
Mr. Wong Ah Yu	Beneficial owner	2,411,500 (L)	1.28%
Mr. Wang Ya Nan	Beneficial owner	9,653,000 (L)	5.10%
	Interest in controlled corporation *(Note 2)*	7,400,000 (L)	3.91%

Notes:

1. The letter "L" denotes a long position in the Shares.

2. E-Growth Resources Limited is wholly and beneficially owned by Mr. Wang Ya Nan. Under the SFO, Mr. Wang Ya Nan is deemed to be interested in 7,400,000 Shares held by E-Growth Resources Limited. Mr. Wang Ya Nan is a Controlling Shareholder and a non-executive Director.

(b) Particulars of service contracts

Each of the executive Directors has entered into a service contract with the Company which will become effective on the Listing Date. The terms and conditions of each of such service contracts are similar in all material respects. The service contracts are initially for a fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of the executive Directors is entitled to a basic salary set out below (subject to an annual increment at the discretion of the Directors) and a discretionary bonus. An executive Director is required to abstain from voting and is not counted in the quorum in respect of any resolution of the Directors regarding the amount of the monthly salary and the discretionary bonus payable to him. The annual remuneration payable to the executive Directors under each of the service contracts are as follows:

Name	**Amount**
Mr. Wong Ming Li	HK$342,857
Mr. Wong Ah Yu	HK$240,000
Mr. Wang Ming Zhi	HK$342,857

Each of the non-executive Director and the independent non-executive Directors has entered into a letter of appointment with the Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of the non-executive Director and the independent non-executive Directors is appointed with an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment. The annual remuneration payable to the non-executive Director and the independent non-executive Directors under each of the letters of appointment are as follows:

Name	**Amount**
Mr. Wang Ya Nan	HK$0
Ms. Leung Pik Kwan	HK$120,000
Mr. Sun Wai Hong	HK$120,000
Mr. Wu Kin San Alfred	HK$120,000

Save as disclosed above, none of the Directors has or is proposed to have any service agreement with the Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(c) Remuneration of the Directors

The aggregate remuneration paid by the Company to the Directors in respect of each of the three financial years ended 31 December 2016 and the eight months ended 31 August 2017 were nil, nil, approximately HK$644,000 and HK$573,000 respectively.

Pursuant to the current arrangements, it is estimated that an aggregate amount of approximately HK$876,000 will be paid to the Directors as remuneration for the year ended 31 December 2017.

The Company's policy concerning the remuneration of the Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, workload and the time devoted to the Group.

2. Substantial Shareholders

So far as the Directors are aware, immediately following the completion of the Tongda Distribution and the Share Offer (taking no account of any Shares which many be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme), the persons (other than the Directors or chief executive of the Company) with interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the company or who is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group will be as follows:

Name	**Capacity/ Nature of interests**	**Number of Shares** *(Note 1)*	**Approximate percentage of interest in the Company**
Landmark Worldwide Holdings Limited	Beneficial owner *(Notes 2, 3 & 4)*	35,712,250 (L)	18.88%
Mr. Wang Ya Hua	Beneficial owner	2,280,500 (L)	1.21%
Mr. Wong Ah Yeung	Beneficial owner	2,982,500 (L)	1.58%

Notes:

1. The letter "L" denotes a long position in the Shares.

2. Landmark Worldwide Holdings Limited is owned as to 25% by Mr. Wong Ah Yeung, 25% by Mr. Wong Ah Yu, 25% by Mr. Wang Ya Hua and 25% by Mr. Wang Ya Nan.

3. Mr. Wang Ya Hua is the elder brother of Mr. Wang Ya Nan and the younger brother of Mr. Wong Ah Yeung and Mr. Wong Ah Yu.

4. Mr. Wong Ah Yeung is the elder brother of Mr. Wong Ah Yu, Mr. Wang Ya Hua and Mr. Wang Ya Nan.

3. Interests in customers of the Group

As at the Latest Practicable Date, so far as the Directors were aware, no Director or their respective close associates or Shareholder (which to the knowledge of the Directors owns more than 5% of the issued share capital of the Company) had any interest in the five largest customers of the Group.

4. Related party transactions

The Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in Note 26 of the Accountant's Report set out in Appendix I to this prospectus.

D. SHARE OPTION SCHEME

Summary of terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be part of, the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable the Company to grant options to the employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of the Company or any subsidiary (including any director of the Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner who has contributed to the Group as incentive or reward for their contribution to the Group to subscribe for the Shares thereby linking their interest with that of the Group.

(b) Grant and acceptance of options

Subject to the terms of the Share Option Scheme, the Directors may, in its absolute discretion, make offer to the Eligible Participants.

An offer shall be made to an Eligible Participant in writing in such form as the Directors may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of 21 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the adoption date of the Share Option Scheme or the termination of the same.

An offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all Shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant, together with a non-refundable remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within such time as may be specified in the offer (which shall not be later than 21 days from, and inclusive of, the date of offer).

Any offer may be accepted by an Eligible Participant in respect of less than the total number of Shares which are offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof.

(c) Price of Shares

The exercise price under the Share Option Scheme shall be determined at the discretion of the Directors but in any event will not be less than the highest of (a) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date of the particular option, which must be a Business Day; (b) the average of the closing price of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the offer date of that particular option; and (c) the nominal value of a Share on the offer date of the particular option.

(d) Maximum number of Shares

(i) Subject to (iii) below, the maximum number of Shares in respect of which options may be granted at any time under the Share Option scheme together with options which may be granted under any other share option schemes for the time being of the Group shall not exceed 10% of the Shares in issue as at the Listing Date. On the basis of a total of 189,115,638 Shares in issue as at the Listing Date, the relevant limit will be 18,911,563 Shares which represent 10% of the Shares in issue on the Listing Date. The Company may seek approval by its shareholders in general meeting to refresh the 10% limit provided that the total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes of the Group in these circumstances must not exceed 10% of the Shares in issue on the date of approval of refreshing of the limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Group (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes and exercised options) will not be counted for the purpose of calculating the limit as refreshed.

(ii) The Company may seek separate approval by its shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the limit are granted only to Eligible Participant specifically identified by the Company before such approval is sought. The Company will send a circular to the shareholders containing a generic description of the specified Eligible Participant who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participant with an explanation as to how the terms of the options serve such purpose, and such information and disclaimer as may be required under the Listing Rules from time to time.

(iii) The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under any other share option schemes of the Group must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Group if this will result in the limit being exceeded.

(iv) Unless approved by the Company's shareholders in the manner set out below, the total number of Shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue. Where any further grant of options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such Eligible Participant and his associates abstaining from voting. The Company must send a circular to its shareholders and the circular must disclose the identity of the Eligible Participant, the number and terms of the options to be granted (and options previously granted to such Eligible Participant), and such information as may be required under the Listing Rules from time to time. The number and terms (including the exercise price) of options to be granted to such Eligible Participant must be fixed before shareholders' approval and the date of meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price. The exercise of any option shall be subject to the shareholders of the Company in general meeting approving any necessary increase in the authorised share capital of the Company. Subject thereto, the Directors shall make available sufficient of the then authorised but unissued share capital of the Company to allot the Shares on the exercise of any option.

(e) Exercise of options

An option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant but subject to the early termination of the Share Option Scheme.

Subject to terms of the Share Option Scheme, an option shall be exercisable in whole or in part in the circumstances by giving notice in writing to the Company stating that the option is thereby exercised and the number of Shares in respect of which it is so exercised. Each such notice must be accompanied by a non-refundable remittance for the full amount of the subscription price for Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of the auditors' certificate, the Company shall accordingly allot the relevant number of Shares to the grantee (or his legal personal representative) credited as fully paid.

Though there is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms and conditions of the Share Option Scheme, the Directors may make such grant of options, subject to such terms and conditions in relation to the minimum period of such options to be held and/or the performance targets to be achieved as the Directors may determine in their absolute discretion.

(f) Restrictions on the time of grant of options

No option shall be granted by the Directors under the following circumstances:

(i) after inside information has come to the knowledge of the Company until such inside information has been announced pursuant to the requirements of the Listing Rules; and

(ii) during the period commencing one month immediately preceding the earlier of:

(aa) the date of the meeting of the Board for the approval of the annual results, interim results or quarterly results of the Company; and

(bb) the deadline for the Company to publish its annual results, interim results or quarterly results announcement under the Listing Rules,

and ending on the date of the results announcements.

(g) Rights are personal to grantees

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber, assign or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement to do so.

(h) Rights on ceasing employment

The option period in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the date on which the grantee ceases to be an Eligible Participant by reason of a termination of his employment on any one or more of the grounds specified in paragraph (u)(iii).

(i) Rights on death

In the event of the grantee ceasing to be an Eligible Participant by reason of his death before exercising the option in full and where the grantee is any employee of the Group none of the events which would be a ground for termination of his employment under paragraph (h) above arises, his personal representative(s) may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of death, or such longer period as the Directors may determine.

(j) Cancellation of options

Where the Company cancels options and offers new options to the same option holder, the offer of such new options may only be made under the Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the limit approved by the shareholders of the Company as mentioned in paragraph (d) above.

(k) Effect of alterations to share capital

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue or other offer of securities to holders of Shares (including any securities convertible into share capital or warrants or options to subscribe for any share capital of the Company, but excluding options under the Share Option Scheme and options under any other similar employee share option scheme of the Company), consolidation, sub-division or reduction of the share capital of the Company or otherwise howsoever (excluding any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in respect of a transaction to which the Company is a party), then, in any such case (other than in the case of capitalisation of profits or reserves) the Company shall instruct the auditors to certify in writing:

(A) the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:

(aa) the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised); and/or

(bb) the exercise price; and/or

(cc) the maximum number of Shares referred to in paragraph d(i); and/or

(dd) the method of the exercise of the option(s),

or any combination thereof, and an adjustment as so certified by the auditors shall be made, provided that:

(aa) any such adjustment must give a grantee the same proportion of the equity capital as that to which that person was previously entitled;

(bb) any such adjustment shall be made on the basis that the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;

(cc) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

(dd) the issue of securities of the Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and (ee) to the advantage in any respect of the grantee without specific prior approval of the shareholders of the Company.

(B) in respect of any such adjustment, the auditors must confirm to the Directors in writing that the adjustment so made satisfies the requirements above.

(l) Rights on a general offer

If a general or partial offer is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all its reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of the Company. If such offer becomes or is declared unconditional, the grantee shall, notwithstanding any other term on which his options were granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company at any time thereafter and up to the close of such offer.

(m) Rights on winding up

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees (containing an extract of the provisions of this paragraph) and thereupon, each grantee or his personal representative(s) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid.

(n) Rights on a compromise or arrangement

Other than a general or partial offer or a scheme of arrangement contemplated in paragraph (o) below, in the event of a compromise or arrangement between the Company and its members or creditors being proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and any grantee or his personal representative(s) may by notice in writing to the Company accompanied by a remittance of the full amount of the exercise price in respect of which the notice is given (such notice to be received by the Company not later than two Business Days prior to the proposed meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice.

(o) Rights on a scheme of arrangement

If a general or partial offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the grantee (or his personal representative(s)) may thereafter (but only until such time as shall be notified by the Company, after which it shall lapse) exercise the option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in such notice.

(p) Ranking of Shares

Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank pari passu in all respects with the existing fully paid Shares in issue on the date of their allotment and issue and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after such date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before such date. A Share allotted upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered onto the register of members of the Company as the holder thereof.

(q) Duration and administration of the Share Option Scheme

The Share Option Scheme shall be valid and effective commencing from the adoption date of the Share Option Scheme until the termination date as provided therein (which being the close of business of the Company on the date which falls ten years from the date of the adoption of the Share Option Scheme), after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. The Share Option Scheme shall be subject to the administration of the Directors whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (save as otherwise provided herein and in the absence of manifest error) be final and binding on all persons who may be affected thereby.

(r) Alterations to the terms of the Share Option Scheme

Subject to the Listing Rules, the Share Option Scheme may be altered from time to time in any respect by a resolution of the Directors except that the following alterations shall require the prior sanction of the Shareholders in general meeting (with all grantees and their associates abstaining from voting and the votes taken by poll):

(i) alterations of the provisions relating to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Eligible Participant without the prior approval of the Shareholders in general meeting;

(ii) any alteration to the terms and conditions of the provisions of the Share Option Scheme which are of a material nature or any change of the authority of the Board must be approved by the Company's shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme; and

(iii) any change to the authority of the Directors or administrator of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

The amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of the Listing Rules and any guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(s) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon:

(i) the Stock Exchange granting the listing of, and permission to deal in, any Shares to be issued by the Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme;

(ii) commencement of dealings of Shares on the Stock Exchange; and

(iii) the passing of the necessary resolution to approve and adopt the Share Option Scheme by the shareholders of the Company in general meeting or by way of written resolution and to authorise the Directors to grant options at their absolute discretion thereunder and to allot, issue and deal with Shares pursuant to the exercise of any options granted under the Share Option Scheme.

(t) Grant of options to connected persons or any of their associates

Each grant of options to any of the Directors, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of the option (if any)). Where any grant of options to a substantial shareholder of the Company or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, such further grant of options must be approved by shareholders of the Company. The Company must send a circular to its shareholders. The grantee, his associates and all connected persons of the Company must abstain from voting in favour at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that is intention to do so has been stated in the circular. Any vote taken at the meting to approve the grant of such options must be taken on a poll. The circular must contain:

(i) details of the number and terms (including the exercise price) of the options to be granted to each Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price;

(ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options) to the independent Shareholders as to voting; and

(iii) the information and disclaimer as may be required under the Listing Rules from time to time.

Shareholders' approval is also required for any change in the terms of options granted to an Eligible Participant who is a substantial shareholder of the Company or an independent non-executive Director, or any of their respective associates.

(u) Lapse of option

The Option Period (as defined in the Share Option Scheme) in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the earliest of:

(i) the expiry of the Option Period;

(ii) the expiry of any of the periods referred to in paragraphs (h), (i), (l), (m), (n) or (o), where applicable;

(iii) the date on which the grantee of an option ceases to be an Eligible Participant by reason of the termination of his employment or engagement on grounds including, but not limited to, guilty of misconduct, bankruptcy, insolvency, making any arrangement or composition with his creditors generally, or conviction of any criminal offence;

(iv) the date on which the Directors shall exercise the Company's right to cancel the option by reason of a breach of paragraph (g) by the grantee in respect of that or any other option;

(v) the date of the commencement of the winding-up of the Company; or

(vi) the date on which the option is cancelled by the Board.

(v) Termination

The Company by an ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Miscellaneous

Any dispute arising in connection with the number of Shares of an option, the amount of exercise price or otherwise shall be referred to the decision of an independent financial adviser appointed by the Company or the auditors who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

(x) Present status of the Share Option Scheme

Application has been made to the Stock Exchange for the approval of the Share Option Scheme, the subsequent grant of options under the Share Option Scheme and the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme which shall represent 10% of the Shares in issue on the Listing Date. As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(y) Value of options

The Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the subscription price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of the options. The Directors believe that any calculation of the value of the options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

E. OTHER INFORMATION

1. Estate duty, tax and other indemnities

Each of the Controlling Shareholders and the Company entered into the Deed of Indemnity referred to in the section headed "B. Further information about the business — 1. Summary of material contracts" in this Appendix IV, under which each of the Controlling Shareholders has given joint and several indemnities in favour of the Company (for itself and as trustee for and on behalf of the subsidiaries of the Company) in respect of, among other things, the amount of any and all taxation falling on any member of the Group resulting from or by reference to any income, profits, gains earned, accrued or received on or before the Listing Date or any event or transaction entered into or occurring on or before the Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The indemnity contained above shall not apply:

(i) to the extent that full provision or reserve has been made for such taxation in the audited accounts of the Group or the audited accounts of the relevant member of the Group for each of the three financial years ended 31 December 2016 and the eight months ended 31 August 2017, as set out in Appendix I to this prospectus;

(ii) 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 the 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 Listing Date;

(iii) to the extent that any provision or reserve made for taxation in the audited accounts of any member of the Group for each of the three financial years ended 31 December 2016 and the eight months ended 31 August 2017 which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied pursuant to the Deed of Indemnity to reduce the liability of each of the Controlling Shareholders in respect of taxation shall not be available in respect of any such liability arising thereafter; or

(iv) to the extent that such taxation liability or claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the laws, rules or regulations or the interpretation or practice thereof by the Inland Revenue Department in Hong Kong, the taxation authority in the PRC or any other relevant authority (whether in Hong Kong, the PRC or any part of the world) coming into force after the Listing Date or to the extent that such taxation claim arises or is increased by an increase in rates of taxation after the Listing Date with retrospective effect.

Under the Deed of Indemnity, each of the Controlling Shareholders has also given indemnities in favour of the Company (for itself and as trustee for and on behalf of the subsidiaries of the Company) whereby they would jointly and severally indemnify each member of the Group against, among others, all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of the 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 of any jurisdiction by any member of the Group on or before the Listing Date; (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) any member of the Group and/or their respective directors or any of them is/are involved; and/or (b) arises due to some act or omission of, or transaction voluntarily effected by, the Group or any member of the Group (whether alone or in conjunction with some other act, omission or transaction) on or before the Listing Date.

The indemnity contained above shall not apply to the extent that provision has been made for such claim in the audited accounts of the Group or the audited accounts of any member of the Group for each of the three financial years ended 31 December 2016 and the eight months ended 31 August 2017. The Directors have been advised that no material liability for estate duty is likely to fall on any member of the Group in the Cayman Islands, Hong Kong, the PRC and other jurisdictions in which the companies comprising the Group are incorporated.

2. Litigation

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group which would have a material adverse effect on its business, result of operations or financial conditions.

3. Sponsor

Messis Capital Limited has made an application on behalf of the Company to the Stock Exchange for listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein.

The Sponsor is independent from the Company pursuant to Rule 3A.07 of the Listing Rules.

The sponsor's fees payable by us in respect of Messis Capital's services as sponsor for the Listing is HK$6,300,000 (excluding any disbursements).

4. Preliminary expenses

The preliminary expenses incurred by the Company in relation to its incorporation were approximately US$5,600 and are payable by the Company.

5. Agency fees and commissions received

The Underwriters will receive an underwriting commission as referred to in the section headed "Underwriting — Commission and expenses" in this prospectus.

6. Promoter

The Company has no promoter. Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no cash, securities or other benefit had been paid, allotted or given, nor are any such cash, securities or other benefit intended to be paid, allotted or given, to the promoter of the Company in connection with the Spin-off and the Listing or the related transactions described in this prospectus.

7. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name of expert	Qualification
Baker Tilly	Internal Control Adviser
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Ernst & Young	Certified Public Accountants
Hills & Co.	Legal advisers to the Company as to PRC law
Messis Capital Limited	Licensed corporation holding a licence to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

8. Consents of experts

Each of the experts referred to in the section headed "E. Other information — 7. Qualifications of experts" in this Appendix IV has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or the references to its name included herein in the form and context in which they are respectively included.

9. Compliance adviser

In accordance with the requirements of the Listing Rules, the Company will appoint the Sponsor as the compliance adviser to provide advisory services to the Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financing year after the Listing Date.

10. Disclaimers

Save as disclosed in this prospectus:

(a) none of the Directors nor any of the persons whose names are listed in the section headed "E. Other information — 8. Consents of experts" in this Appendix IV is interested in the promotion of the Company, or in any assets which have been within the two years immediately preceding the issue of this prospectus, or are proposed to be, acquired or disposed of by or leased to any member of the Group;

(b) none of the Directors nor any of the persons whose names are listed in the section headed "E. Other information — 8. Consents of experts" in this Appendix IV is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group; and

(c) none of the parties whose names are listed in the section headed "E. Other information — 8. Consents of experts" in this Appendix IV: (i) is interested legally or beneficially in any securities of any member of the Group; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

11. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries; and

(iii) no commission has been paid or payable (excluding commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in the Company;

(b) no founders, management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued;

(c) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(d) none of the experts referred to under the section headed "E. Other information — 8. Consents of experts" in this Appendix IV:

(i) is interested beneficially or non-beneficially in any shares in any member of the Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group;

(e) there has not been any interruption in the business of the Group which has had a material adverse effect on the financial position of the Group in the 24 months preceding the date of this prospectus;

(f) no company within the Group is presently listed on any stock exchange or traded on any trading system;

(g) the Company has no outstanding convertible debt securities;

(h) all necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement;

(i) there are no arrangements in existence under which future dividends are to be or agreed to be waived; and

(j) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

12. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE** and **YELLOW** Application Forms copies of the written consents referred to in the section headed "E. Other information — 8. Consents of experts" in Appendix IV to this prospectus and copies of the material contracts referred to in the section headed "B. Further information about the business — 1. Summary of material contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Michael Li & Co. at 19th Floor, Prosperity Tower, 39 Queen's Road Central, 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 Accountant's Report of the Group from Ernst & Young, the text of which is set out in Appendix I to this prospectus;

(c) the report on unaudited pro forma financial information from Ernst & Young, the text of which is set out in Appendix IIA to this prospectus;

(d) the letters relating to the profit estimate received from Ernst & Young and the Sponsor, the text of which are set out in Appendix IIB to this prospectus;

(e) the letter prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;

(f) the Companies Law;

(g) the service contracts and letters of appointment referred to in the section headed "C. Further information about the Directors and Substantial Shareholders — 1. Directors — (b) Particulars of service contracts" in Appendix IV to this prospectus;

(h) the material contracts referred to in the section headed "B. Further information about the business — 1. Summary of material contracts" in Appendix IV to this prospectus;

(i) the written consents referred to in the section headed "E. Other information — 8. Consents of experts" in Appendix IV to this prospectus;

(j) the rules of the Share Option Scheme; and

(k) the PRC legal opinions issued by Hills & Co., the PRC Legal Advisers in respect of our general matters in the PRC.

通達 宏泰
TONGDA HONG TAI