Apex Ace Holding Limited
光麗科技控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock code : 6036

GLOBAL OFFERING

Sponsor

Ample Capital Limited
豐盛融資有限公司

Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager

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

Joint Bookrunner and Joint Lead Manager

富滙證券
WealthLink Securities Limited

* *for identification purpose only*

IMPORTANT

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

Apex Ace Holding Limited
光麗科技控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares in the Global Offering	**:**	**250,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**25,000,000 Shares (subject to adjustment)**
Number of International Placing Shares	**:**	**225,000,000 Shares (subject to adjustment and the Over-allotment Option)**
Offer Price	**:**	**Not more than HK$0.58 per Offer Share and expected to be not less than HK$0.40 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%(payable in full on application in Hong Kong dollars and subject to refund)**
Nominal Value	**:**	**HK$0.01 per Share**
Stock Code	**:**	**6036**

Sponsor

AmCap
Ample Capital Limited
豐盛融資有限公司

Sole Global Coordinator, Joint Bookrunner and Joint Lead Manager

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

Joint Bookrunner and Joint Lead Manager

富滙證券
WealthLink
Securities Limited

Joint Lead Manager

AFG 高鉦

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, together with the documents specified under the paragraph headed "1. Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission 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.

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) on the Price Determination Date, which is expected to be on or around Monday, 12 March 2018 or such later date or time as may be agreed by the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and the Company, and in any event, not later than 5:00 p.m. on Tuesday, 13 March 2018. The Offer Price will not be more than HK$0.58 per Offer Share and is expected to be not less than HK$0.40 per Offer Share. If, for any reason, the Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) are unable to reach an agreement on the Offer Price by 5:00 p.m. on Tuesday, 13 March 2018, the Global Offering will not proceed.

The Sole Global Coordinator (for itself and on behalf of the other Underwriters) may, with the consent of the Company, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, notices of reduction of the indicative Offer Price range will be published on the Company's website at www.apexace.com and the website of the Stock Exchange at www.hkexnews.hk.

Prospective investors of the Global Offering should note that the other Underwriters are entitled to terminate the Underwriting Agreements by giving written notice to our Company upon the occurrence of any of the events stated in the Underwriting Agreements, as summarised under the paragraph headed "Grounds for termination" in the section headed "Underwriting" of this prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Underwriters terminate the Underwriting Agreements, the Global Offering will not proceed.

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

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

* *for identification purpose only*

28 February 2018

> ***If there is any change in the following expected timetable of the Hong Kong Public Offer, our Group will issue an announcement in Hong Kong to be published on the website of our Company at www.apexace.com and the website of the Stock Exchange at www.hkexnews.hk.***

	Date and time[1]
Hong Kong Public Offer commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Wednesday, 28 February 2018
Application lists open[2]	11:45 a.m. on Monday, 5 March 2018
Latest time to give **electronic application instructions** to HKSCC[3]	12:00 noon on Monday, 5 March 2018
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Monday, 5 March 2018
Application lists of the Hong Kong Public Offer close[2]	12:00 noon on Monday, 5 March 2018
Expected Price Determination Date on or before[4]	Monday, 12 March 2018
Announcement of: • the final Offer Price, • the level of indication of interest in the International Placing, • the level of applications in Hong Kong Public Offer, • the basis of allocation of the Hong Kong Offer Shares in the Hong Kong Public Offer to be published on the website of our Company at www.apexace.com and the website of the Stock Exchange at www.hkexnews.hk on	Thursday, 15 March 2018
Announcement of results of allocations in the Hong Kong Public Offer (with successful applicants' identification document or business registration numbers, where appropriate) to be available through a variety of channels (for further details, please see "How to Apply for Hong Kong Offer Shares" – "10. Publication of Results" in this prospectus) from	Thursday, 15 March 2018
Results of allocations in the Hong Kong Public Offer will be available at **www.unioniporesults.com.hk** with a "search by ID" function from	Thursday, 15 March 2018
Despatch/Collection of refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer on [(6), (7), (8) and (9)]	Thursday, 15 March 2018

Despatch/Collection of Share certificates on (5), (7), (8) and (9) . . . . Thursday, 15 March 2018

Dealings in the Shares on the Stock Exchange
expected to commence at . . . . 9:00 a.m. on Friday, 16 March 2018

Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

2. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above 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 or close on that day. For details, please see the section headed "How to Apply for Hong Kong Offer Shares – 9. Effect of bad weather on the opening of the application lists" in this prospectus.

3. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to apply for Hong Kong Offer Shares – 5. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.

4. The Price Determination Date is expected to be on or about Monday, 12 March 2018. If, for any reason, the Offer Price is not agreed by 5:00 p.m. on Tuesday, 13 March 2018 between our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters), the Global Offering will not proceed.

5. Share certificates for the Offer Shares are expected to be issued on Thursday, 15 March 2018 but will only become valid certificates of title at 8:00 a.m. on Friday, 16 March 2018 provided that (a) the Global Offering has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.

6. Refund cheque(s) will be issued in respect of wholly or partially unsuccessful applications and also in respect of wholly or partially successful applications if the Offer Price as finally determined is less than the price payable on application. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.

7. Applicants for 1,000,000 Hong Kong Offer Shares or more on **WHITE** Application Forms may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally from our 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 or any other day as announced by us as the date of despatch of Share certificates/refund cheques. Individuals who opt for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorized representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

8. Applicants for 1,000,000 Hong Kong Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not collect their Share certificates personally which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

9. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed "How to Apply for Hong Kong Offer Shares – 13. Despatch/collection of share certificates and refund monies" in this prospectus.

For details of the structure of the Global Offering, including conditions of the Global Offering, applicants should refer to the section headed "Structure and Conditions of the Global Offering" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

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

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

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

OVERVIEW

We are a Hong Kong-based semiconductor and other electronic components distributor. We principally engage in the supply of digital storage products, which comprises Memory and Data & Cloud products, and general electronic components, along with the provision of our complimentary technical supports. Our customers are primarily market players in the TMT sector in the PRC and Hong Kong. Since the commencement of our business in 2005, our Group has been focusing on identifying, sourcing, selling and distributing quality electronic components produced by brand name Upstream Manufacturers which normally conduct sales of their products through electronic components distributors like our Group, except that direct sales channels are established between Upstream Manufacturers and some sizeable Downstream Manufacturers. Our Group adopts a low margin high volume strategy and our business model is capital intensive. Please refer to the paragraphs headed 'Business model' in this section for details.

Memory products offered by us are widely used in multimedia and mobile devices such as mobile phones, set-top boxes, smart TVs and wearables while Data & Cloud products offered by us are mainly used in data centers such as enterprise-level secured server system. Besides, we also offer General Components including switches, connectors, passive components, main chips, sensors, power semiconductors and analog to digital converter which are applicable to mobile and multimedia devices. Apart from supplying digital storage products and general electronic components to our customers, we also provide technical support on a complimentary basis from the pre-sales to post-sales stages. Pre-sales application engineering support services include advising customers on the compatibility and configuration of electronic components, design-in, installation methods and communicating with Upstream Manufacturers and/or Downstream Manufacturers to fine tune configuration. Post-sales technical support services include software upgrading, component replacement and emergency support as well as RMA.

Our Group operates mainly in Hong Kong and the PRC. Our Group's revenue was mainly derived from customers based in Hong Kong and the PRC during the Track Record Period. For the year ended 31 December 2014 (FY2014), the year ended 31 December 2015 (FY2015), the year ended 31 December 2016 (FY2016) and the nine months ended 30 September 2017 (FP2017), our Group derived revenue of approximately HKD780.4 million, HKD1,121.2 million, HKD1,702.3 million and HKD1,974.2 million from the sales of electronic components respectively.

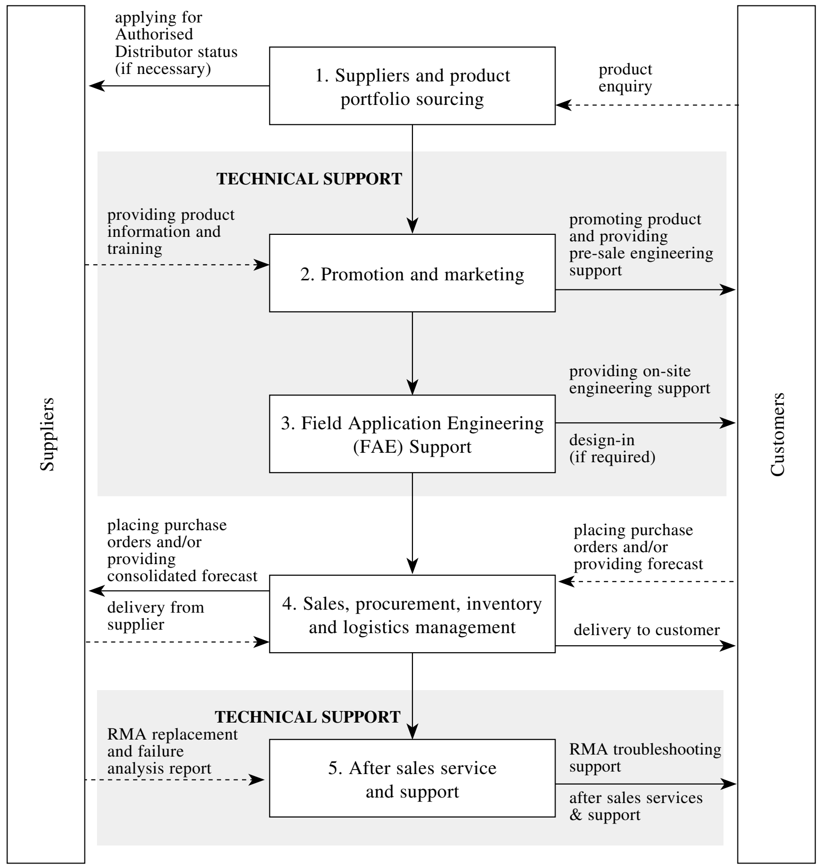
According to the Frost & Sullivan Report, in terms of total revenue, we ranked 19th in the highly fragmented electronic components distribution market of the PRC and Hong Kong with market share of approximately 0.08% in 2016.

The following table sets forth a breakdown of the revenue of our Group by types of products during the Track Record Period:

	FY2014		FY2015		FY2016		Nine months ended 30 September 2016 (FP2016)		FP2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (*unaudited*)	*%*	*HK$'000*	*%*
Memory products	372,489	47.8	540,439	48.2	1,027,422	60.4	648,705	57.9	1,337,531	67.7
Data & Cloud products	237,411	30.4	480,394	42.8	553,734	32.5	396,039	34.8	407,268	20.6
General Components	170,487	21.8	100,373	9.0	121,166	7.1	82,186	7.3	229,426	11.7
	780,387	100	1,121,206	100	1,702,322	100	1,120,930	100	1,974,225	100

BUSINESS MODEL

The business model of our Group is set out below:



Note: For details of our business model, please refer to the section headed "Business – business model" in this prospectus.

Since the commencement of our business, our Group has adopted a low margin high volume business strategy which was proven to be sustainable to maintain our business operation and to capture the market growth from time to time. For distributors like our Group in the electronic components industry, according to the Frost & Sullivan Report, to remain profitable, pursuing high volume of sales is a common practice in the industry. Moreover, improving the ability of forecasting the future trend of technology and distributing products that are largely demanded by the market, and developing technological capabilities in order to provide more value-added services, are also adopted by distributors like us to realise more profits. In view of our Directors, our Group maintains a thin profit margin for our electronic components distribution business which was in line with the industry norm. Having been actively sourcing brand name suppliers and broadening our customer base through matching their needs in response to the market growth throughout the Track Record Period and up to the Latest Practicable Date, our Group has demonstrated the ability and the pursuit to continuously boost our sales volume, in order to achieve an overall growth in our overall net profit. For details of our Group on-going profitability strategies and measures, please refer to "Business – Profitability strategies and measures" of this prospectus.

Our business model is capital intensive. According to the Frost & Sullivan Report, significant capital investment is necessary for market players of the electronic component distributing market. To remain competitive in the market, electronic component distributors generally need to retain high level of working capital to guarantee smooth business operation and support the growth in demand. Typically, electronic components distributors need capital for the early procurement of Upstream Manufacturer's products. At the same time, it is an industry norm that distributors always offer long credit period for downstream customers. Therefore, the gap between accounts receivable turnover days and accounts payable turnover days can sometimes result in high gearing ratio for distributors when they rely on borrowings to ease the pressure of cash flow.

In line with such market practice, which indicates potential mismatches of trade receivable turnover days and trade payable turnover days, and along with the significant growth in our sales and business operation, the credit period offered by us to customers is generally longer than the credit period offered to us by our suppliers which result in a mismatch between the timing of the Company's payment to suppliers and receipt of payment from customers. Our Group had incurred significant amount of net cash used in our operating activities in order to finance the required working capital accordingly throughout the Track Record Period. Our net cash generated from/(used in) operating activities was approximately HKD32.0 million, HKD -64.4 million, HKD -71.4 million and HKD -238.6 million for FY2014, FY2015 and FY2016 and FP2017, respectively. The further deteriorating net cash flow used in operating activities for FP2017 was mainly the results of the significant increase in our inventory levels, trade receivables, other receivables, deposits and prepayment. As a result of our continuously growing net cash used in our operating activities, our Group had maintained a high level of bank borrowing during the Track Record Period, indicating a deteriorating liquidity and gearing ratio.

For FY2014, FY2015 and FY2016 and FP2017, our Group had bank borrowings of approximately HKD47.1 million, HKD117.0 million, HKD262.4 million and HKD520.3 million respectively. These banking facilities were mainly secured by our Group's trade receivables and self-owned properties. Our gearing ratio as at 31 December 2014, 2015 and 2016 and 30 September 2017 was approximately 60.1%, 123.7%, 177.5% and 278.8%, respectively. As at 30 September 2017, the further increase in our gearing ratio was driven by the significant increase in our total bank borrowings by approximately HKD257.8 million mainly in forms of factoring loans, and other bank loans in response to the increasing required working capital for our inventory procurements.

With our Group's revenue continuously growing, very often the mismatch between account receivables turnover days and account payable turnover days would lead to higher gearing ratio and hence put us at liquidity risk. Despite short term loans could bridge this mismatch by way of cash inflow generated from our financing activities to allow us to continuously undertake the growing numbers of our customer orders, it also further enlarges our cash flow used in operating activities at the same time.

Our Directors are of the view that we may face liquidity risk in our future operation and that our liquidity may further tighten as our business expands unless equity financing, instead of debt financing obtained by us. For details analysis of liquidity risk faced by our Group, please refer to the section headed "Risk Factors – We continuously maintain a high level of bank borrowings and our cost of borrowings is subject to the fluctuation in interest rate." of this prospectus. Although the amount of our debts has been in an ascending trend, our Directors were not aware of any difficulties in repaying and/or renewing our loans. During the Track Record Period, there was no occasion where our Group had defaulted in repayment or our customers had defaulted in payment of our trade receivables which were factored to our banks.

Our Directors believe that our Group has maintained sufficient working capital for our future operation needs based on the following: (i) the continuous use of our factoring loans, which allowed our Group to release liquidity through pledging a substantial amount of our trade receivables to our banks (credit risk of which were covered by credit insurance), together with our other bank loans and bank instalment loans during the Track Record Period are considered as our liquidity management policy to strengthen the liquidity position of our Group as detailed under the section headed "Financial Information – Bank Borrowings" and "Business – Liquidity Management Policy" of this prospectus; (ii) our Group had adequate unutilised bank borrowings during FY2014, FY2015 and FY2016 and FP2017 to provide additional funding for the need of our working capital and the expansion of our business, for details, please refer to the section headed "Financial Information – Indebtedness" of this prospectus; (iii) our positive financial position from being at a positive net current asset position during the Track Record Period, please refer to section headed "Financial Information – Net Current Assets" in this prospectus.

CUSTOMERS

For FY2016, we had over 300 customers, which consisted of (i) Downstream Manufacturers and (ii) other distributors who are not an Authorised Distributor of a particular Upstream Manufacturer. Most of them are based in the PRC. Some of our Group's customers are listed companies (or subsidiaries of listed companies) in Hong Kong, the PRC, Taiwan, Singapore and the USA. The total revenue derived from customers who are listed companies (or their subsidiaries) accounted for approximately 53.0%, 60.0%, 65.0% and 63.8% of our Group's total revenue for FY2014, FY2015 and FY2016 and FP2017 respectively. For FY2014 and FY2015, over 61% of our Group's total revenue were derived from Downstream Manufacturers while for FY2016 and FP2017, over 81% of our Group's total revenue were derived from Downstream Manufacturers, and the rest of them are other distributors who is not an Authorised Distributor of a particular Upstream Manufacturer.

For FY2014, FY2015 and FY2016 and FP2017 our Group's five largest customers accounted for approximately 44.8%, 58.0%, 44.6% and 43.3% of our total revenue, respectively, with the largest customer accounted for approximately 12.7%, 13.3%, 17.5% and 11.0% respectively.

We generally do not enter into any long-term or master sales agreement for committed amount of sales with our customers, including our major customers. Sales of products by us to the major customers are only based on individual purchase orders placed by the major customers from time to time.

Please refer to "Business – Customers – Major Customers" of this prospectus for further information on our customers.

SUPPLIERS

Our Group procures various digital storage products and other electronic components from suppliers which consist of brand name Upstream Manufacturers and other distributors. As at the Latest Practicable Date, we were an Authorised Distributor of 24 brand name Upstream Manufacturers. Most of our Group's major suppliers are subsidiaries of technology companies listed on the NASDAQ market or the New York Stock Exchange in the United States, or other stock markets in Taiwan, Japan, South Korea and Hong Kong. For FY2014, FY2015, FY2016 and FP2017 our Group's largest supplier accounted for approximately 39.5%, 32.0%, 30.8% and 48.2% of our Group's purchase respectively while our Group's five largest suppliers, in aggregate, accounted for approximately 81.4%, 87.6%, 90.7% and 88.3% of our Group's purchase respectively.

We generally do not enter into any long-term or master purchase agreement for guaranteed amount of supplies with our major suppliers and our purchase of electronic components are only made on individual orders basis.

Please refer to "Business – Supplies and Procurement – Major Suppliers" of this prospectus for further information on our suppliers.

COMPETITIVE STRENGTHS

We believe that our Group's competitive strengths mainly lie in (i) our possession of flexibility and wide ranging product portfolio and our ability in capturing the rising trend in the TMT Market. (ii) our stable relationships with our major customers and development of ever-growing customer base; (iii) our experienced engineering team to provide support to our sales team and to maintain a collaborative relationship between our suppliers and customers; and (iv) our well-seasoned and experienced management team who has substantial experience in the industry.

Our long-term objective is to become a specialized distributor of Upstream Manufacturers in the PRC and Hong Kong.

BUSINESS STRATEGIES

We believe that our Group operates in markets that have promising growth potential. During the Track Record Period, our Group recorded significant growth in the sales of Memory products applicable to mostly electronic products. Our Group plans to leverage on the growing market by: (i) broadening our customer base by expanding our product variety and through capturing larger market share; (ii) strengthening our research and development capabilities and also our sales and marketing and technical support so as to ensure that comprehensive and efficient services are maintained; (iii) enhancing our warehouse and office in Hong Kong to cope with our business expansion; (iv) installing ERP system and supporting softwares for our operation so as to enable us to maintain our operation in orderly and efficient manner; (v) establishing offices in Beijing and Chengdu so as to striving for better access to business opportunities and acquiring new office premises as our Shenzhen head office so as to improving our credit rating assigned by our suppliers.

FINANCIAL INFORMATION

The tables below summarise our combined financial information for FY2014, FY2015, FY2016, FP2016 and FP2017 respectively, and should be read in conjunction with our financial information included in the Accountants' Report in Appendix I to this prospectus. For details, please refer to the section headed "Financial information" of this prospectus.

Highlight of combined statements of profit or loss and other comprehensive income

	FY2014 *HK$'000*	**FY2015** *HK$'000*	**FY2016** *HK$'000*	**FP2016** *HK$'000* *(unaudited)*	**FP2017** *HK$'000*
Revenue	780,387	1,121,206	1,702,322	1,120,930	1,974,225
Gross profit	35,928	53,718	94,292	56,161	97,223
Other income and gain	2,997	3,810	2,782	2,074	3,898
Profit before income tax	14,283	29,314	53,817	31,029	43,133
Total comprehensive income for the year/period attributable to owners of the Company	11,238	24,361	39,676	25,348	25,280

Highlight of combined statements of financial position

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total non-current assets	47,163	49,661	101,407	102,107
Total current assets	169,187	261,595	498,619	896,975
Total assets	216,350	311,256	600,026	999,082
Total current liabilities	128,331	203,945	447,553	810,152
Net current assets	40,856	57,650	51,066	86,823
Total assets less current liabilities	88,019	107,311	152,473	188,930

Revenue by nature of our customers

The following table sets forth a breakdown of our Group's revenue by nature of our customers during the Track Record Period:

	FY2014		FY2015		FY2016		FP2016		FP2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Downstream Manufacturers										
Multimedia devices	325,424	41.7	410,430	36.6	634,495	37.3	399,181	35.6	1,063,744	53.9
Data centres	92,567	11.9	307,446	27.4	431,334	25.3	301,610	26.9	323,744	16.4
Mobile devices	58,822	7.5	134,287	12.0	323,903	19.0	190,216	17.0	369,513	18.7
Subtotal	476,813	61.1	852,163	76.0	1,389,732	81.6	891,007	79.5	1,757,001	89.0
Other distributors										
Multimedia devices	158,480	20.3	94,798	8.5	118,926	7.0	96,409	8.6	78,158	4.0
Data centres	144,844	18.6	173,133	15.4	122,407	7.2	88,434	7.9	83,524	4.2
Mobile devices	250	0.0	1,112	0.1	71,257	4.2	45,080	4.0	55,542	2.8
Subtotal	303,574	38.9	269,043	24.0	312,590	18.4	229,923	20.5	217,224	11.0
Total Revenue	780,387	100	1,121,206	100	1,702,322	100	1,120,930	100	1,974,225	100

Revenue by geographic locations

The following table sets forth a breakdown of our Group's revenue by geographic locations of our customers during the Track Record Period:

	FY2014		FY2015		FY2016		FP2016		FP2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000 (unaudited)*	*%*	*HK$'000*	*%*
Hong Kong	283,156	36.3	261,709	23.3	369,985	21.7	243,020	21.7	269,204	13.6
The PRC	446,962	57.3	811,511	72.4	1,297,625	76.2	856,107	76.4	1,682,431	85.2
Others[(1)]	50,269	6.4	47,986	4.3	34,712	2.1	21,803	1.9	22,590	1.2
Total revenue	780,387	100	1,121,206	100	1,702,322	100	1,120,930	100	1,974,225	100

Note:

(1) others include Taiwan, Singapore, Hungary, South Korea, Samoa, the USA, etc.

Gross Profit and Gross Profit Margin

Gross profit represents the excess of revenue over cost of sales. The following table sets forth a breakdown of our Group's gross profit and gross profit margin from our types of products by application during the Track Record Period:

	FY2014		FY2015		FY2016		FP2016		FP2017	
	HK$'000	*Margin %*	*HK$'000*	*Margin %*	*HK$'000*	*Margin %*	*HK$'000 (unaudited)*	*Margin %*	*HK$'000*	*Margin %*
Memory										
– Multimedia devices	10,530	3.0	18,849	4.4	37,872	5.6	20,256	4.5	39,802	4.2
– Mobile devices	582	2.9	2,977	2.6	16,636	4.7	7,789	3.9	14,781	3.8
Subtotal	11,112	3.0	21,826	4.0	54,508	5.3	28,045	4.3	54,583	4.1
Data & Cloud										
– Data centers	8,820	3.7	25,051	5.2	30,514	5.5	21,744	5.6	27,579	6.8
Subtotal	8,820	3.7	25,051	5.2	30,514	5.5	21,744	5.6	27,579	6.8
General Components										
– Multimedia devices	9,538	7.3	2,632	3.3	3,150	4.0	1,245	2.6	10,529	5.3
– Data centers	–	–	14	7.6	1	8.9	–	–	–	–
– Mobile devices	6,458	16.6	4,195	19.7	6,119	14.3	5,127	15.0	4,532	14.3
Subtotal	15,996	9.4	6,841	6.8	9,270	7.7	6,372	7.8	15,061	6.6
Total Gross Profit	35,928	4.6	53,718	4.8	94,292	5.5	56,161	5.0	97,223	4.9

The following table sets forth a breakdown of our Group's gross profit and gross profit margin by nature of customers during the Track Record Period.

	FY2014		FY2015		FY2016		FP2016		FP2017	
	HK$'000	*Margin %*	*HK$'000*	*Margin %*	*HK$'000*	*Margin %*	*HK$'000 (unaudited)*	*Margin %*	*HK$'000*	*Margin %*
Downstream Manufacturers										
Multimedia devices	15,643	4.8	18,876	4.6	35,876	5.7	18,960	4.7	47,040	4.4
Data Centers	4,847	5.2	17,715	5.8	22,379	5.2	16,107	5.3	22,052	6.8
Mobile devices	7,007	11.9	7,091	5.3	20,037	6.2	11,550	6.1	16,975	4.6
Subtotal	27,497	5.8	43,682	5.1	78,292	5.6	46,617	5.2	86,067	4.9
Other distributors										
Multimedia devices	4,425	2.8	2,605	2.7	5,146	4.3	2,541	2.6	3,291	4.2
Data Centers	3,973	2.7	7,350	4.2	8,136	6.6	5,637	6.4	5,527	6.6
Mobile devices	33	13.2	81	7.3	2,718	3.8	1,366	3.0	2,338	4.2
Subtotal	8,431	2.8	10,036	3.7	16,000	5.1	9,544	4.2	11,156	5.1
Total Gross profit	35,928	4.6	53,718	4.8	94,292	5.5	56,161	5.0	97,223	4.9

Thin Profit Margin for Electronic Components Distribution

Our Group's overall gross profit amounted to approximately HKD35.9 million, HKD53.7 million, HKD94.3 million and HKD97.2 million for FY2014, FY2015, FY2016 and FP2017, representing gross profit margin of approximately 4.6%, 4.8%, 5.5% and 4.9% respectively. During the Track Record Period, our gross profit margin was the result of the proportion of revenue derived from our three major types of products by different applications. The overall increasing trend in our gross profit for FY2014, FY2015 and FY2016 was generally in line with the industry's growth and the upward trend in our gross profit margin as the growth in market demand of digital storage products remained strong. The drop in our gross profit margin for FP2017 was mainly attributable to the fact that the shortage in market supply of Memory products in the prior years and was considered to be more stabilized for FP2017 and our Group intended to broaden our customer base by boosting the sales of our Memory products where a relatively lower gross profit margin at approximately 4.1% in average was captured for the respective period. For details, please refer to the section headed "Financial Information – Analysis of our gross profit margin — Thin Profit Margin for Electronic Components Distribution" of this prospectus.

Other income

Our other income mainly consists of bank interest income, rental income, gain on disposal of property, plant and equipment and sundry income. For FY2014, FY2015, FY2016 and FP2017, we had other income of approximately HKD1.6 million, HKD1.5 million, HKD2.5 million and HKD1.9 million, respectively. Our other income remained immaterial to our Group during the Track Record Period.

Increase in fair value of investment property

The increase in fair value of our investment property represented the appreciation in the value of our investment property as detailed under section headed "Business – Real Property" in this prospectus. For FY2014, FY2015, FY2016 and FP2017, we had increase in fair value of investment property in aggregate of approximately HKD1.4 million, HKD2.3 million, HKD0.3 million and HKD2.0 million, respectively. The increase in fair value of our investment property remained immaterial to our Group during the Track Record Period.

SELECTED KEY FINANCIAL RATIOS

The following table sets out certain financial ratios of our Group during the Track Record Period. For details, please refer to the section headed "Financial Information – Selected key financial ratios" of this prospectus.

	FY2014	FY2015	FY2016	FP2017
Current ratio[1]	1.3 times	1.3 times	1.1 times	1.1 times
Quick ratio[2]	0.9 times	1.0 times	0.9 times	0.9 times
Gearing ratio[3]	60.1%	123.7%	177.5%	278.8%
Debt to equity ratio[4]	40.2%	108.7%	140.8%	243.5%
Interest coverage[5]	13.5 times	18.0 times	13.9 times	6.5 times
Return on total assets[6]	5.2%	7.9%	7.5%	3.4%
Return on equity[7]	12.8%	22.8%	27.0%	14.4%
Net profit margin[8]	1.4%	2.2%	2.6%	1.7%

Notes:

(1) Current ratio is calculated based on total current assets divided by total current liabilities as of the end of the respective year/period.

(2) Quick ratio is calculated based on total current assets less inventories, prepaid lease payments and pledged bank deposits in current assets, divided by total current liabilities as of the end of the respective year/period.

(3) Gearing ratio is calculated based on the total debts (bank borrowings and amounts due to a director and a related party) divided by the total equity as at the respective year/period end and multiplied by 100%.

(4) Debt to equity ratio is calculated by the net debt (bank borrowings and amounts due to a director and a related party net of cash and cash equivalents) divided by the total equity as at the respective year/period end and multiplied by 100%.

(5) Interest coverage is calculated by the profit before interest and income tax divided by the interest for the respective year/period.

(6) Return on total assets is calculated by the profit for the year/period divided by the total assets as at the respective year end and multiplied by 100%.

(7) Return on equity is calculated by the profit for the year/period attributable to owners of the Company divided by the shareholders' equity as at the respective year end and multiplied by 100%.

(8) Net profit margin is calculated by the profit for the year/period divided by the revenue for the respective year/period and multiplied by 100%.

Net profit after tax and net profit margin

Our net profit after tax was approximately HKD11.3 million, HKD24.5 million, HKD44.8 million, HKD26.0 million and HKD33.8 million for FY2014, FY2015, FY2016, FP2016 and FP2017, representing a net profit margin of approximately 1.4%, 2.2%, 2.6%, 2.3% and 1.7% respectively. The growth in our net profit for FY2014, FY2015 and FY2016 was mainly attributable to the net effect of: (i) the aforementioned overall growth in our revenue; (ii) the aforementioned overall improvement of gross profit margin; and (iii) the aforementioned overall increase in our administrative expenses, mainly driven by our listing expenses recognised of approximately HKD3.2 million, HKD1.0 million, HKD0.1 million, HKD nil and HKD12.2 million, for FY2014, FY2015, FY2016, FP2016 and FP2017 respectively. Excluding the listing expenses of approximately HKD3.2 million, HKD1.0 million, HKD0.1 million and HKD nil and HKD12.2 million and other income and fair value change in investment properties of approximately HKD3.0 million, HK$3.8 million, HKD2.8 million, HKD2.1 million and HKD3.9 million for FY2014, FY2015, FY2016, FP2016 and FP2017, respectively, our adjusted net profit after tax would have been approximately HKD11.5 million, HKD21.6 million, HKD42.2 million, HKD23.9 million and HKD42.1 million, representing the adjusted net profit margin of approximately 1.5%, 1.9%, 2.5%, 2.1% and 2.1% respectively. The drop in the adjusted net profit margin in FP2017 was mainly in line with the aforementioned drop in gross profit margin for FP2017.

DIVIDEND

For FY2014, FY2015, FY2016 and FP2017, our Group declared dividends of approximately nil, HKD5.0 million, nil, and nil respectively. The dividends were paid to our then shareholders which were settled by cash. We declared a special dividend of approximately HKD16.0 million and paid to our Shareholders on 13 February 2018 in full by cash through our internal resources. We currently do not have a formal dividend policy or a fixed dividend distribution ratio. For details, please refer to the section headed " Financial Information – Dividend" of this prospectus.

REAL PROPERTY

Our Group's headquarters is a self-owned property situated in Hong Kong. The property consists of saleable area of approximately 7,791 square feet and serves as office, workshop and warehouse of our Group. This property is owned by our Group's subsidiary and leased to our Group at a monthly rent of HKD145,000. Other than the headquarters' premises, our Group also operates out of two self-owned properties located in the PRC. Our Group owns one property for investment purposes and a car parking space in the building of our headquarters. For details, please refer to the section headed "Business – Real Property" of this prospectus.

Our Group also has two leased properties in Shenzhen, the PRC for office use.

LISTING EXPENSES

Based on the Offer Price of HKD0.49 (being the mid point of the Offer Price range stated in this prospectus), estimated listing expenses in connection with the Global Offering are approximately HKD42.2 million, of which approximately HKD6.1 million, HKD2.6 million, HKD3.2 million, HKD1.0 million and HKD0.1 million, have been charged to profit or loss for FY2012, FY2013, FY2014, FY2015, FY2016 respectively. For FP2017, approximately HKD12.2 million have been charged to profit or loss. For FY2017 and FY2018, approximately HKD19.0 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and approximately HKD10.2 million is expected to be directly attributable to issue of Shares and accounted as a deduction from equity upon the successful listing under the relevant accounting standards.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2017

Our Directors estimate, on the bases set out in Appendix III to this listing document, certain profit estimate data of the Company for the year ended 31 December 2017 as follows:

Estimated combined profit attributable to owners of the Company	not less than HK$33.3 million
Unaudited pro forma estimated earnings per Share	not less than HK$0.04

The profit estimate, for which our Directors are solely responsible, has been prepared by them based on our combined results for the nine months ended 30 September 2017 as set out in the Accountants' Report in Appendix I to this listing document and our unaudited combined results for the three months ended 31 December 2017. The calculation of the unaudited pro forma estimated earnings per Share is based on the unaudited estimated combined profit attributable to equity holders of the Company for the year ended 31 December 2017, assuming a total of 750,000,000 Shares were in issue and outstanding during the year ended 31 December 2017.

SHAREHOLDERS' INFORMATION

Immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account of any share which may be issued upon exercise of the Over-allotment Option and any Share which may be issued upon exercise of any options which may be granted under the Share Option Scheme), our Company's ultimate Controlling Shareholder, Mr. Lee, through Best Sheen (a company wholly-owned by him), will be interested in an aggregate of 75% of the issued share capital of our Company. As Best Sheen and Mr. Lee are directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power of general meetings of the Company immediately following the Listing, each of Best Sheen and Mr. Lee shall be regarded as a Controlling Shareholder under the Listing Rules. Further, as Ms. Lo is the spouse of Mr. Lee and is therefore deemed to be interested in the Shares in which Mr. Lee is interested in under the SFO.

For details, please refer to the section headed "Substantial Shareholders" of this prospectus.

STATISTICS OF THE GLOBAL OFFERING

	Based on an Offer Price of HK$0.40 per Offer Share (low-end of Offer Price)	Based on an Offer Price of HK$0.58 per Offer Share (high-end of Offer Price)
Market capitalisation of the Shares *(Note 1)*	HK$ 400 million	HK$ 580 million
Unaudited pro forma adjusted net tangible assets of our Group attributable to owners of our Company per Share *(Note 2)*	0.26	0.30

Note:

(1) Our unaudited pro forma adjusted net tangible asset of our Group attributable to owners of our Company per Share is determined after the adjustments which reflects the estimated net proceeds from the Global Offering and on the basis that 1,000,000,000 Shares are issued assuming that the Global Offering and the Capitalisation Issue had been completed on 30 September 2017. It does not take into account of any Offer Shares which may be issued upon the exercise of the Over-allotment Option.

(2) No adjustment has been made to reflect any trading results or other transaction of our Group entered into subsequent to 30 September 2017.

(3) The unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company as at 30 September 2017 does not take into account the dividends declared by our Group on 13 February 2018, details of which are disclosed in the paragraph headed "Financial Information – Dividend" in this Prospectus.

Taking into account of the impact of dividends declared to the beneficial owner of our Group of approximately HK$16.0 million and estimated net proceeds from the Global Offering at the Offer Price range of lower limit and upper limit of HK$0.40 and HK$0.58 per Offer Share, our unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company will be approximately HK$243.0 million and HK$286.2 million, respectively. Our unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share after taken into account of such dividends declared by our Group and estimated net proceeds from our Global Offering at the Offer Price range of lower limit and upper limit of HK$0.40 and HK$0.58 per Offer Share, will be HK$0.24 per Share and HK$0.29 per Share, respectively.

RECENT DEVELOPMENT

According to the unaudited management accounts of our Group, we recorded a growth in our revenue for the three months ended 31 December 2017 on a monthly average basis as compared to FP2017. Also, according to the unaudited management accounts of our Group as at 31 December 2017, we recorded a significant increase in trade payables, and amount due to Directors (being Directors' advance to our Group to meet our short-term working capital needs), and a slight decrease in bank balance and cash and inventory level as compared to our financial position as at 30 September 2017 in response to the increased working capital required from our growing business operation, which was in line with continuous growth in our revenue. For details, please refer to section headed "Financial information – Net Current Assets" of the prospectus.

There had not been, as far as we are aware of, any material change in the general economic and market conditions in the industry in which we operate that have had a material and adverse impact on our business operations and financial condition since 30 September 2017 and up to the date of this prospectus.

Our Directors confirmed that, up to the date of this prospectus, there had been no material adverse change in the financial position of our Group since 30 September 2017, being the end of the period reported on in the Accountants' Report, and there had been no event since 30 September 2017 and up to the date of this prospectus which could materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

We declared a special dividend of approximately HKD16.0 million and on 13 February 2018 paid to our Shareholders in full by cash through internal resources. Our Directors consider that there will not be material adverse impact on our Group's financial and liquidity position arising out of the dividend payment.

Our Group has been constantly upgrading and expanding our product portfolio. We have been approaching potential vendors which may allow our Group to achieve a more diverse product portfolio. With the introduction of new products to the Group, opportunities to penetrate into new markets have also been created.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date in this prospectus, there has been no material adverse change in our Group's financial or trading position or prospects since 30 September 2017, being the date of our Group's latest audited financial statements as set out in Appendix I to this prospectus.

REASONS FOR LISTING

Our Directors believe that the net proceeds from the Listing will provide our Group with financial resources to meet its future business opportunities, achieve its business strategies and expand our Group's business more rapidly. For details, please refer to the section headed "Business – Strategies of our Group" of this prospectus. Our Directors consider that it is essential for our Group to utilise the proceeds from the Global Offering to realise our strategic plans and expand the scale of our business and to improve the profitability of our Group as a whole. Our Group believes that the Listing will benefit our Group both internally and externally. Internally, the Listing will allow our Group to retain and attract employees through the granting of award and/or bonus schemes, providing incentives or rewards for their continuous contribution. Externally, our Directors believe that with a publicly listed status, our Group's corporate profile will be enhanced. Our Directors consider that suppliers and customers may be more eager to transact with a listed company because of its enhanced credibility and reputation associated with financial disclosures and general regulatory supervision.

The Global Offering will broaden our Group's capital base and provide us with additional funding to implement our future plans. Furthermore, our Directors are of the view that, the Listing will enable our Group to accomplish the following:

– Provide access to additional financing sources
– Enhance corporate profile and recognition
– Increase public awareness and public interest in our Group and the services provided by us
– Strengthen our supplier network
– Provide liquidity of Share trading

USE OF PROCEEDS

The aggregate net proceeds from the Global Offering, after deducting underwriting fees and other estimated listing expenses in connection with the Global Offering and at the Offer Price of HKD0.49 per Share, are estimated to be approximately HKD117.6 million. We intend to use such net proceeds from the Global Offering as follows:

Use	Approximate amount	Percentage
	(HK$'000)	%
Repayment of bank loans	39,300	33.4
Establishing a new product and development department	2,900	2.4
Strengthening our sales and marketing and technical support team by recruiting 14 additional staff and providing trainings	10,800	9.2
Enhancing our warehouse and office in Hong Kong	4,700	4.0
Installing ERP and supporting software for our operation	7,100	6.0
Establishing our new offices in Beijing and Chengdu	5,000	4.3
Acquisition and establishment of our Shenzhen head office	36,100	30.7
Providing funding for working capital and other general corporate purposes	11,700	10.0
	117,600	100.00

For details, please refer to the section headed "Future plans and use of proceeds" of this prospectus.

RISK FACTORS

Our Directors believe that there are certain risks involved in the operations of our Group, many of which are beyond our Group's control. They can be broadly categorised into risks relating to our Group and its business, the industry, the PRC and the Global Offering, among which, the relatively material risks encompass:

(i) *thin profit margins may affect the sustainability of our business model;*
(ii) *our Group is subject to disruption to technology of end products;*
(iii) *the timing of our payment to suppliers may not match our receipt from customers;*
(iv) *we continuously maintain a high level of bank borrowings and our cost of borrowings is subject to the fluctuation in interest rate;*
(v) *we may not be able to efficiently manage our inventory and may be exposed to risks of obsolete inventory and low subsequently utilisation;*
(vi) *our Group relies on the relationships with major customers, and we may not be able to collect all trade receivables from them in a timely manner;*
(vii) *we may not be approved as an Authorised Distributor of Upstream Manufacturers;*
(viii) *we generally do not enter into long-term or master sales agreement with customers;*
(ix) *our research and development activities may not result in successful development of new products; and*
(x) *our business may be affected by volatile market demand for electronic components and digital storage systems and components.*

You should carefully consider the risk factors set out in this prospectus before you make a decision to invest in the Shares. For details, please refer to the section headed "Risk Factors" of this prospectus.

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meaning.

"Able System"	ABLE SYSTEM LIMITED, a company incorporated in the BVI with limited liability on 8 July 2011 and a wholly-owned subsidiary of Apex Team before the Reorganisation
"Accountants' Report"	the report of our reporting accountants, the text of which is set out in Appendix I to this prospectus
"Ace Power"	ACE POWER HOLDINGS LIMITED (領威控股有限公司), a company incorporated in the BVI with limited liability on 6 March 2009 and wholly-owned by Mr. Lee
"Ample Capital" or "Sponsor"	Ample Capital Limited, a corporation licensed to carry on business in types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management) under the SFO, and the sponsor of the Listing
"Apex Team"	APEX TEAM LIMITED, a company incorporated in the BVI with limited liability on 15 June 2009 and a wholly-owned subsidiary of the Company upon completion of the Reorganisation
"Application Form(s)"	**WHITE** Application Form(s) and **YELLOW** Application Form(s) or, where the context so requires, any of them used in the Hong Kong Public Offer
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company conditionally adopted on 15 February 2018 and to take effect from Listing, as amended from time to time
"Ascent Way"	ASCENT WAY INTERNATIONAL LIMITED (振啟國際有限公司), a company incorporated in Hong Kong with limited liability on 18 January 2016 and a wholly-owned subsidiary of Data Star
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Audit Committee"	the audit committee of the Board
"AVT International"	AVT International Limited (formerly known as Jumbo Palace International Limited), a company incorporated in Hong Kong with limited liability on 7 May 1992 and a wholly-owned subsidiary of Apex Team
"AVTE"	AVTE Company Limited (formerly known as AVT Electronics Limited), a company incorporated in Hong Kong with limited liability on 4 March 1993. As at the Latest Practicable Date, AVTE was owned as to 90% by CIL and 10% by an Independent Third Party

"Best Sheen"	BEST SHEEN LIMITED (佳澤有限公司), a company incorporated in the BVI with limited liability on 31 May 2012 and wholly-owned by Mr. Lee, and a Controlling Shareholder
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, and Sunday or public holidays) on which licensed banks in Hong Kong are generally open for normal banking businesses
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the issue of 749,999,900 new Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed "A. Further information about our Group – 4. Written resolutions of the sole Shareholder passed on 15 February 2018" in Appendix VI to this prospectus
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"CG Code"	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant

"China" or "PRC"	the People's Republic of China, but, for the purpose of this prospectus only and except where the context requires otherwise, does not include Hong Kong, Macau and Taiwan
"CIL"	CIL Holdings Limited, a company incorporated in Bermuda with limited liability on 8 April 1993, the shares of which are listed on the Main Board with stock code 00479. As at the Latest Practicable Date, CIL held 90% of the issued share capital of AVTE. Mr. Lee and Ms. Lo in aggregate held approximately 0.13% of CIL's total issued share capital as at the Latest Practicable Date
"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 (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Apex Ace Holding Limited, a company incorporated under the laws of the Cayman Islands with limited liability on 4 July 2012
"connected person(s)"	has the same meaning ascribed to it in the Listing Rules
"Controlling Shareholder(s)"	the controlling shareholder(s) (having the meaning ascribed to it in the Listing Rules) of the Company, unless the context requires otherwise, refer to Mr. Lee and Best Sheen
"core connected person(s)"	has the same meaning ascribed to it in the Listing Rules
"Data Star"	DATA STAR INC., a company incorporated in the BVI with limited liability on 5 January 2016 and owned as to 72% by Apex Team and 28% by Mr. Pai
"Deed of Indemnity"	the deed of indemnity dated 15 February 2018 executed by our Controlling Shareholders in favour of the Company (for itself and as trustee for its subsidiaries) regarding certain indemnities as more particularly set out in the paragraph headed "E. Other Information – 1. Estate duty, Tax and other indemnities" in Appendix VI to this prospectus

"Deed of Non-competition"	the deed of non-competition dated 15 February 2018 executed by our Controlling Shareholders in favour of the Company (for itself and as trustee for its subsidiaries) regarding the non-competition undertakings as more particularly set out in the paragraph headed "Relationship with the Controlling Shareholders and non-competition undertaking – Deed of Non-competition" in this prospectus
"Director(s)"	the directors of the Company
"Electronic Application Instruction(s)"	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Hong Kong Offer Shares
"Frost & Sullivan"	Frost & Sullivan International Limited, an independent market research and consulting company
"Frost & Sullivan Report"	the report prepared by Frost & Sullivan for the Company on the trade of electronic components industry
"FP2016"	the nine months ended 30 September 2016
"FP2017"	the nine months ended 30 September 2017
"FY2012"	the year ended 31 December 2012
"FY2013"	the year ended 31 December 2013
"FY2014"	the year ended 31 December 2014
"FY2015"	the year ended 31 December 2015
"FY2016"	the year ended 31 December 2016
"FY2017"	the year ended 31 December 2017
"GEM"	The Growth Enterprise Market of the Stock Exchange
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
"Global Offering"	the Hong Kong Public Offer and the International Placing

"Group", "our Group", "we" or "us"	the Company together with its subsidiaries and in respect of the period before the Company became the holding company of its present subsidiaries, the companies that are the present subsidiaries of the Company
"HIBOR"	Hong Kong Interbank Offer Rate
"HK$" or "HK dollar(s)" or "HKD" and "cent(s)"	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 25,000,000 new Shares initially offered by us for subscription under the Hong Kong Public Offer, representing 10% of the initial number of the Offer Shares subject to adjustment as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"Hong Kong Public Offer"	the offer of the Hong Kong Offer Shares by our Company for subscription by members of the public in Hong Kong (subject to adjustment as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus) for cash at the Offer Price, payable in full on application, and subject to the terms and conditions stated herein and in the Application Forms
"Hong Kong Branch Share Registrar"	Union Registrars Limited, the Hong Kong branch share registrar and transfer office of the Company
"Hong Kong Underwriter(s)"	the underwriter(s) of the Hong Kong Public Offer listed in the section headed "Underwriting" in this prospectus
"Hong Kong Underwriting Agreement"	the Hong Kong underwriting agreement dated 27 February 2018 in respect of the Hong Kong Public Offer entered into by, amongst others, the Company, our executive Directors, our Controlling Shareholders, the Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters, particulars of which are set forth in the section headed "Underwriting" in this prospectus

"I-Sky"	I-SKY ELECTRONIC LIMITED (天科電子有限公司) (formerly known as I-SKY NETWORK TECHNOLOGY LIMITED (天維網絡科技有限公司)), a company incorporated in Hong Kong with limited liability on 12 June 2000 and a wholly-owned subsidiary of Apex Team
"Independent Non-Executive Director(s)"	the independent non-executive Director(s) from time to time
"Independent Third Party(ies)"	party or parties that is or are independent of and not connected with the Company and connected persons of the Company within the meaning of the Listing Rules
"Independent Valuer"	International Valuation Limited, the independent valuers who prepared the property valuation report in Appendix IV to this prospectus
"Inland Revenue Ordinance"	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"International Placing"	the conditional placing of the International Placing Shares by the International Underwriter(s) for and on behalf of our Company outside the United States (including to professional, institutional and other investors in Hong Kong) in reliance on Regulation S at the Offer Price, subject to adjustment and the exercise of the Over-allotment Option as further described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"International Placing Shares"	the 225,000,000 new Shares being initially offered by our Company for subscription under the International Placing subject to adjustment and together, where relevant, with any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option as further described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"International Underwriter(s)"	the underwriter(s) of the International Placing
"International Underwriting Agreement"	the international underwriting agreement expected to be entered into on or about the Price Determination Date, by, amongst others, our Company, our executive Directors, our Controlling Shareholders, the Sole Global Coordinator and the International Underwriter(s) in respect of the International Placing, particulars of which are set forth in the section headed "Underwriting" in this prospectus

"Joint Bookrunners"	Ample Orient Capital Limited and Wealth Link Securities Limited
"Joint Lead Managers"	Ample Orient Capital Limited, Wealth Link Securities Limited and AFG Securities Limited
"Sole Global Coordinator" and "Stabilising Manager"	Ample Orient Capital Limited
"JPY"	Japanese Yen, the lawful currency of Japan
"Latest Practicable Date" or "LPD"	20 February 2018 being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
"Listing"	the listing of the Shares on the Main Board
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date on which dealings in the Shares on the Main Board first commence, which is expected to be on Friday, 16 March 2018
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Macau"	the Macau Special Administrative Region of the PRC
"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
"Master Agreement"	the master agreement dated 25 November 2010 (as supplemented by the supplemental master agreement dated 10 April 2012 and the second supplemental master agreement dated 26 April 2013), entered into between AVTE and AVT International pursuant to which (1) AVT International has agreed to sell and AVTE has agreed to purchase certain products ordered by AVTE and procured by AVT International from its suppliers to which AVT International is an Authorised Distributor; and (2) AVT International has agreed to purchase and AVTE has agreed to sell certain products ordered by AVT International and supplied by AVTE to which AVTE is an Authorised Distributor, during the term of the agreement on an order-by-order basis. Such agreement was terminated on 30 June 2015

"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of the Company adopted on 15 February 2018 and as amended from time to time
"Mr. CH Lee"	Mr. Lee Chak Hol, a son of Mr. Lee and Ms. Lo, and a nephew of Mr. Lo Yuen Kin (an executive Director)
"Mr. Lee"	Mr. Lee Bing Kwong, the chairman, an executive Director, the chief executive officer and a Controlling Shareholder
"Ms. Lo"	Ms. Lo Yuen Lai, the spouse of Mr. Lee, who was an executive director and the deputy chairman and acting chief executive officer of CIL from 19 April 2010 to 5 June 2013
"Mr. Pai"	Mr. Pai Yi Lin, a director of Ascent Way and Data Star and a shareholder of Data Star
"NASDAQ"	the NASDAQ stock exchange in the United States
"NEEQ"	the National Equities Exchange and Quotations in the PRC
"Nicegoal Investments"	Nicegoal Investments Limited (奮勝投資有限公司) (formerly known as D-Baron Company Limited and AVT Industrial Limited), a company incorporated in Hong Kong with limited liability on 17 March 1987 and founded and owned by Mr. Lee and an Independent Third Party
"NT$"	New Taiwan dollars, the lawful currency of Taiwan
"Nomination Committee"	the nomination committee of the Board
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) which will be not more than HK$0.58 per Offer Share and is expected to be not less than HK$0.40 per Offer Share at which the Offer Shares are to be offered for subscription pursuant to the Global Offering, to be determined as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Placing Shares; and "Offer Share(s)" means any one of these Offer Shares

"Over-allotment Option"	the option expected to be granted by us to the International Underwriters, exercisable by the Sole Global Coordinator for itself and on behalf of the other International Underwriter(s) pursuant to the International Underwriting Agreements at any time from the date of the International Underwriting Agreements until 30 days after the last date for the lodging of applications and allot up to an aggregate of 37,500,000 additional Offer Shares (representing 15% of the Offer Shares initially available under the Global Offering to cover, among other things, over-allocations in the International Placing, if any. For the details of which are described in the paragraph headed "Structure and Conditions of the Global Offering - Over-allotment Option" of this prospectus
"Price Determination Agreement"	the agreement to be entered into between our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) on or before the Price Determination Date to fix and record the Offer Price
"Price Determination Date"	the date on which the Offer Price is to be determined by our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters), which is expected to be on or before Monday, 12 March 2018 and in any event not later than 5:00 p.m. on Tuesday, 13 March 2018
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC government"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and organs thereof or, as the context requires, any of them
"PRC Subsidiary" or "Shenzhen Lisigao"	深圳麗斯高電子有限公司 (Shenzhen Lisigao Electronics Company Limited*), a wholly foreign-owned enterprise established in the PRC on 18 July 2008 and wholly owned by AVT International
"PRC Legal Adviser"	the legal adviser to our Company as to PRC law, namely ETR Law Firm
"PRC Region"	the People's Republic of China, including Hong Kong and Macau
"Regulation S"	Regulation S under the US Securities Act
"Remuneration Committee"	the remuneration committee of the Board

"Reorganisation"	the reorganisation of our Group in preparation for the Listing as described in the section headed "History, Reorganisation and Group Structure – Reorganisation" in this prospectus
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC
"SFC"	The Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of nominal value of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on 15 February 2018, the principal terms of which are summarised in the paragraph headed "D. Share Option Scheme" in Appendix VI to this prospectus
"South Korea"	the Republic of Korea
"sq. ft."	square feet
"sq. m." or "m^2"	square metres
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Best Sheen and the Stabilising Manager on or about the Price Determination Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Companies Ordinance
"Substantial Shareholder(s)"	substantial shareholder(s) of the Company having the meaning ascribed to it in the Listing Rules
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs
"Track Record Period"	the three years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017

"Underwriter(s)"	Hong Kong Underwriters and International Underwriter(s)
"Underwriting Agreements"	Hong Kong Underwriting Agreement and International Underwriting Agreement
"United States Reserve Board"	the Federal Reserve Board of Governors, the central bank of the United States
"USA"	the United States of America
"USD" or "US dollar(s)"	United States dollars, the lawful currency of the United States
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's or applicants' own name(s)
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS
"%"	percent

Unless otherwise specified, for the purpose of this prospectus, amounts denominated in RMB are translated into HK$ at the rate of HK$1.20 = RMB1.00.

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

"Authorised Distributor"	a distributor who is formally approved or authorized in writing by a brand name Upstream Manufacturer to distribute its products
"Blu-ray"	an optical disc format that enables recording, rewriting and playback of high-definition video, as well as storing large amounts of data. The format offers more than five times the storage capacity of traditional DVDs
"CAGR"	compound annual growth rate
"cloud computing"	a type of Internet-based computing that provides shared computer processing resources and data to computers and other devices on demand
"coaxial cable"	a type of cable that has an inner conductor surrounded by a tubular insulating layer and a tubular conducting shield. Coaxial cable can be used to connect home video equipment, common for implementing computer networks
"Controller IC(s)"	includes Ethernet and Networking Switch Chip, SAS Expander Interface Chip, including RAID Controller Chip, PCI Express Switch Chip
"Data & Cloud"	one of the key product categories of our Group; a model of data storage in which digital data is stored in logical pools, the physical storage spans multiple servers, and the physical environment is typically owned and managed by a hosting company
"DDR SDRAM"	double data rate synchronous dynamic random-access memory
"digital"	the electronic technology that generates, stores, and processes data in terms of two states: positive and non-positive
"Downstream Manufacturer"	electronic products manufacturer which uses electronic components manufactured by Upstream Manufacturers for the production of its products
"DVD"	digital versatile disk, an optical disc storage medium generally used to hold movies or other digital data
"EEPROM"	electrically erasable programmable read-only memory, a type of non-volatile memory used in computers and other electronic devices to store small amounts of data

"eMCP"	embedded multi-chip package; a more advanced version of MCP with the whole package of smaller components/modules
"eMMC"	embedded multimedia card
"ePOP"	embedded package on package; ePOP is comprised of AP (application processor), eMMC and mobile DRAM, each of which are uniquely and impressively power-efficient. Combined in one package. ePOP creates synergy between the three combined components and this gives wearable devices higher performances with lower battery power delivering even higher energy efficiency
"EMS"	electronics manufacturing service, a term used for companies that design, test, manufacture, distribute, and provide return/repair services for electronic components and assembly services for OEMs
"EoC"	ethernet over coax, a family of technologies that supports the transmission of ethernet frames over coaxial cable
"firmware"	a term used to denote the pre-loaded, usually small, programs and/or data structures that internally control electronic devices or components
"flash memory"	a solid-state chip that maintains stored data without any external power source
"General Components"	one of the key product categories of our Group; covers those generally used in various electronic products and for basic functions; excluding Memory products and Data & Cloud products
"HKEIA"	The Hong Kong Electronic Industries Association Limited, a trade association of the industry
"integrated circuit" or "IC"	a miniaturised electronic circuit consisting mainly of semiconductor devices, as well as passive and manufactures in the surface of a thin substrate of semiconductor material. Integrated circuits are used in almost all electronic equipment, such as computers, mobile phones, televisions and other digital appliances
"Internet of Things" or "IoT"	a network of physical objects or things embedded with electronics, software, sensors, and network connectivity, which enables these objects to collect and exchange data

"LPDDR"	LOWER POWER DDR is a type of double data rate synchronous DRAM for mobile smart phones and tablet PC application
"MCP"	multi-chip package; an electronic module system where multiple unpackaged semiconductor chips are package on single substrate
"Memory"	one of the key product categories of our Group; refer to those integrated circuits made out of millions and transistors that can store data or can be used to process code. Memory integrated circuits (IC) are essential electronic components in computers, mobile phones and other electronic devices in which memory storage plays a key role
"memory chip"	an IC consisting of millions of transistors and other components that are fabricated on a piece of semiconductor for the storage of data and programme codes
"MMC"	multimedia card, a solid state disk or flash memory data storage device
"MoCA"	Multimedia over Coax Alliance, a group that promotes the standard that uses coaxial cables to connect consumer electronics and home networking devices
"NIC"	network interface card is a computer circuit board or card that is installed in a computer so that it can be connected to a network
"ODM(s)"	original design manufacturer(s)
"OEM(s)"	original equipment manufacturer(s)
"operating system"	system software that manages computer hardware and software resources and provides common services for computer programs
"OPU"	optical pickup, a device that regenerates data by collecting reflected laser light from the optical disc, or writes data on optical disc by laser light
"PC"	personal computer
"PCI express switch"	peripheral component interconnect express switch; serve as interconnecting ports from processors or chipsets. The switches create multiple endpoints out of one endpoint to allow sharing one endpoint with multiple devices

"PSRAM"	pseudo static RAM, a dynamic RAM with built-in refresh and address-control circuitry
"RAID"	redundant array of independent disks, a storage technology that combines multiple disk drive components into a logical unit, enabling high data security, fault tolerance and improved availability
"RAID card"	redundant array of independent disks card, a component that serves to connect the computer servers to the Data & Cloud systems, communication network and other peripheral devices
"RAM"	random-access memory
"RF"	radio frequency
"RMA"	return merchandise authorization, one of the after-sales services that provides replacement or repair of defective components, given that the components are within the product's warranty period
"RoHS"	the restriction on the use of lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyl and polybrominated diphenyl ethers electronic and electrical equipment pronounced by the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Directive, a directive adopted by the European Union
"SDRAM"	synchronous dynamic random access memory; a type of memory synchronized with the system bus
"secondary storage"	refers to storage devices and storage media that are not directly accessible by a computer, such as external memory or auxiliary storage
"semiconductor"	a solid substance that has a conductivity between that of an insulator and that of most metals, either due to the addition of an impurity or because of temperature effects. Devices made of semiconductors, notably silicon, are essential components of most electronic circuits
"sensor"	a device that measures or detects a real-world condition, such as motion, heat or light and converts the condition into an analogue or digital representation

"set-top box"	an information appliance device that turns incoming signal into content which is then displayed on the television screen or other display device
"SME"	small and medium enterprises
"source code"	a code that is specifically designed to facilitate the work of computer programmers
"storage system"	a facility for large capacity data storage with multiple disk drives, generally equipped with dual power supplies and utilizes RAID technology
"TMT"	Technology, Media and Telecommunications; it is an industry sector covering a wide spectrum, encompassing TMT-related businesses to all sorts of TMT applications. The industry includes sub-sectors such as semiconductors, ICs etc. to be used in a variety of TMT products ranging from mobile phones to industrial machinery
"tuner"	an electronic receiver that detects and demodulates and amplifies transmitted signals
"TV"	television
"Upstream Manufacturer"	semiconductor manufacturers or other electronic components manufacturers
"virtual reality" or "VR"	a technology that makes use of processor to combine multiple information sources in order to generate a simulated environment for its users to submerge in and interact with
"wearable devices"	technological products that can be worn by, and interact with, human and possess capabilities for computation, communication and data storage, examples of which include smart watch, smart wrist-band, smart headset etc.

Our Company has included in this prospectus forward-looking statements that are not historical facts, but relate to its intentions, beliefs, expectations or predictions for future events. The forward-looking statements are contained principally in the sections headed "Summary", "Risk Factors", "Industry Overview", "Business", "Financial Information" and "Future plans and use of proceeds", and are by their nature, subject to significant risks and uncertainties. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed "Risk Factors" in this prospectus, which may cause its actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- its business strategies and operating plans;
- its capital expenditure and expansion plans;
- its ability to identify and successfully take advantage of new business development opportunities;
- projects under construction and planning;
- general economic conditions;
- capital market development;
- the trends of industry and technology;
- certain statements in "Industry Overview", "Business" and "Financial Information" with respect to trends in prices, volumes, operations;
- its dividend policy;
- its profit estimate and other prospective financial information; and
- the regulatory environment and industry outlook for the electronics manufacturing and IC and electronic components distribution industry in which the Company operates; and
- other statements in this prospectus that are not historical fact.

The words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "seek", "will", "would" and the negative of these terms and other similar expressions, as they relate to our Company, are intended to identify a number of these forward-looking statements. These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond the control of our Company. These forward-looking statements reflect the current views of our Company with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of the central and local governments in the PRC and Hong Kong relating to any aspect of our Company's business or operations;

- general economic, market and business conditions in the PRC and Hong Kong;

- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;

- various business opportunities that our Company may pursue; and

- the risk factors discussed in this prospectus as well as other factors beyond our Company's control.

All forward-looking statements contained in this prospectus have been made after due and careful consideration and on bases and assumptions that are fair and reasonable. The Directors have no reasons to believe that the statistics and facts are not accurate or that any fact has been omitted that render such information false or misleading.

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

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

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to these cautionary statements.

In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Global Offering. Any of the following risks, as well as other risks and uncertainties that are not yet identified or that we currently think are immaterial, may materially and adversely affect our business, financial condition or results of operations, or otherwise cause a decrease in the trading price of the Offer Shares and cause you to lose part or all of the value of your investment in the Global Offering.

We believe that there are certain risks and uncertainties involved in its operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to us and our business; (ii) risks relating to the industry; (iii) risk relating to conducting business in the PRC; and (iv) risks relating to the Global Offering.

RISKS RELATING TO OUR GROUP AND ITS BUSINESS

Thin profit margins may affect the sustainability of our business model

As per the Frost & Sullivan Report, entities within our industry have thin profit margins. For FY2014, FY2015, FY2016 and FP2017, our net profit margin was approximately 1.4%, 2.2%, 2.6% and 1.7% respectively. Our selling prices are dependent on the suppliers' pricing and demand for our products from our customers, which are beyond our control, our Group may not be able to maintain historical profit margins in the future.

Our ability to generate revenue and achieve profitability will depend on the performance of our existing business and products and the success of the implementation of our future business strategies. Our revenue and profitability could also be affected by a number of factors, such as acts of God, natural disasters, epidemics or pandemics, which are outside of our Group's control. Therefore, we cannot assure that it could maintain or increase our revenues and profits. Our operating results may be adversely affected by any of such factors.

The demand for electronic products is generally volatile and the market prices for electronic products and components are affected by changes in market demand. The changes in selling prices of our products depend substantially on the demand of our customers, and the market conditions for the end products of electronic components and storage systems are beyond our control. We adopt a cost-plus pricing policy. When the prices offered to us by our suppliers fluctuate, our prices would be adjusted correspondingly. Due to the electronic components products typically have a short product life cycle and are subject to the fast-paced evolving trends and new technologies, the inventories we possess are exposed to risk of becoming legacy products from time to time. In the case that our inventories have become slow moving and/or obsolete items, we might derive a relatively lower margin and/or incur a loss from the sales of these inventories. Fluctuations in our purchase prices of electronic components that we are unable to pass on to our customers could adversely affect our profit margins and profitability. Selling prices of our products may fall after we purchased of the products. If the drop in selling price is substantial, our financial performance may be adversely affected. Any increase in our procurement costs would cause a raise in our selling price, consequentially, our products would be less competitive in the market and there could be a possible decrease in our profit margin. There is no assurance that we will be able to maintain a positive profit margin from the sales of our products. Any adverse change in the supply of electronic components, the demand for electronic end products or disruption of technology of end products could materially affect our profitability due to thin margins and thus pose a risk to the sustainability of our business model. For the risk of disruption of technology of end products, please refer to the paragraph below.

Our Group is subject to disruption to technology of end products

During the Track Record Period, key products sold by our Group comprised of Memory products, Data & Cloud products and General Components, which are generally applied to the production and assembling of enterprise-level secured server systems and electronic products used in our daily lives. These end-products are always associated with the latest technology and we may not be able to effectively develop or integrate new technologies on a timely basis. Any disruption to technology of end products, such as displacement of certain established technology, may severely affect the demand of the relevant end products and thus affect the demand of our products and resulting material impact to our Group's business and operation.

The timing of our payment to suppliers may not match our receipt from customers

To remain competitive in the market, our Group needs to retain high level of working capital to guarantee smooth business operation and support the growth in demand. The credit period offered by us to our downstream customers with larger scale and/or listing status is generally longer than the credit period offered to us by our suppliers. With our Group's revenue continuously growing, very often the mismatch between account receivables turnover days and account payable turnover days would put us at liquidity risk. Despite short terms loans could bridge this mismatch by way of cash inflow generated from our financing activities to allow us to continuously undertake the growing numbers of our customer orders, it also further enlarges our cash flow used in operating activities at the same time. Therefore, the gap between accounts receivable turnover days and accounts payable turnover days can sometimes result in high gearing ratio when we rely on borrowings to ease the pressure of our cash flow. Our Group had incurred significant amount of net cash used in our operating activities in order to finance the required working capital accordingly throughout the Track Record Period, caused by the mismatch of trade receivable turnover days and trade payable turnover days, which is in-line with the significant growth in our sales and business operation. Our net cash generated from/(used in) operating activities was approximately HKD32.0 million, HKD -64.4 million, HKD -71.4 million and HKD -238.6 million for FY2014, FY2015 and FY2016 and FP2017, respectively. Our Directors are of the view that we may face liquidity risk in our future operation and that our liquidity may further worsen as our business expands unless equity financing, instead of debt financing, is obtained by us.

Further, any default or delay in payment by our customers or our failure to collect trade receivables from them may broaden our cashflow mismatch, which may result in significant cash flow shortcomings in the future and adversely affect our cash position and results of operations. As a result, our Group continuously maintain a high level of bank borrowings. Please refer to the following paragraph for risks relating to our high level of bank borrowings.

We continuously maintain a high level of bank borrowings and our cost of borrowings is subject to the fluctuation in interest rate

In view of the mismatch between the timing of our payment to suppliers and receipt from customers and in order to maintain the necessary level of working capital to guarantee smooth business operation and support the growth in demand, our Group had maintained a high level of bank borrowings during the Track Record Period. Such bank borrowings were used for our early procurement of Upstream Manufacturers products so as to enable us to remain competitive in the market and guarantee smooth business operation and support the growth in operating scale. For FY2014, FY2015 and FY2016 and FP2017, our Group had bank borrowings of approximately HKD47.1 million, HKD117.0 million, HKD262.4 million and HKD520.3 million respectively. These banking facilities were mainly secured by our trade receivables and self-owned properties. Our gearing ratio as at 31 December 2014, 2015 and

2016 and 30 September 2017 was approximately 60.1%, 123.7%, 177.5% and 278.8%, respectively. We cannot assure that we will always be able to obtain the required bank financing in the future or that we would be able to arrange for re-financing when our bank borrowings become due. If we unable to obtain or renew our bank facilities, our results of operation and financial condition may be materially and adversely affected.

Moreover, our cost of borrowings is subject to the fluctuation in interest rate which may also affect our business, financial condition, results of operations and prospects. The high level of bank borrowings and high gearing ratio could (i) require us to allocate a higher portion of our cash flow from operations to fund repayments of principal and interest on our borrowings, thus reducing the availability of our cash flow from operations to fund working capital, capital expenditure and other general corporate purposes; (ii) increase our vulnerability to adverse economic or industry conditions; (iii) limit our flexibility in planning for, or reacting to, changes in our business or in the industry in which we operate; (iv) potentially restrict us from pursuing strategic business opportunities; (v) limit our ability to incur additional debt; and (vi) increase our exposure to interest rate fluctuations. Unexpected increase of effective interest rate would affect our Group's profit margin which in turn adversely affect our financial performance and profitability.

Our Group relies on the relationships with major customers, and we may not be able to collect all trade receivables from them in a timely manner

A significant portion of our total revenue was derived from a few major customers during the Track Record Period. For FY2014, FY2015, FY2016 and FP2017, the sales to our five largest customers accounted for approximately 44.8%, 58.0%, 44.6% and 43.3% of our total revenue respectively, and the sales to the largest customer accounted for approximately 12.7%, 13.3%, 17.5% and 11.0% of our Group's total revenue respectively.

Sales to our major customers are only based on individual purchase orders from time to time. Therefore, the maintenance of stable and good business relationships with our major customers and our continuing sales to them are important to our business. However, there is no assurance that we can continue to retain these major customers or that any of these major customers will continue to purchase from us at the same level as they have done historically or increase their future level of business activities with us. In the event that there is any material delay, reduction or cancellation of orders or termination of relationship with any of our major customers or where there is any imposition of significant restrictions on the pricing terms for our major customers, our business, financial position and results of operations could be materially and adversely affected.

There is no assurance that we will be able to collect all trade receivables from our major customers in a timely manner. In view of our reliance on a few major customers, in the event that there is any default or delay in payment by them or any failure in collecting trade receivables from them, the adverse impact on our business, financial position and results of operations could be materially augmented. In addition, there is also no assurance that we will be able to collect all trade receivables from our other customers and in such event will also adversely affect our business, financial position and results of operations.

We had net cash used in operating activities during the Track Record Period

The net cash used in operating activities was approximately HK$64.4 million, HK$71.4 million and HK$238.6 million in FY2015, FY2016 and FP2017 respectively. The further deteriorating net cash flow used in operating activities for FP2017 was mainly the results of the significant increase in our inventory levels, trade receivables, other receivables, deposits and prepayment, details of which are set out in the section headed "Financial information" of this prospectus. We cannot assure that we will generate operating cash flow in the future. In the event that our Group is unable to generate sufficient cash flow from our operations, the operations of our Group may be adversely affected since our Group may not be able to pay off its current liabilities in a timely manner.

We may not be able to efficiently manage our inventory and may be exposed to risks of obsolete inventory and low subsequent utilisation

As at 30 September 2017, we have a significant inventory balance of approximately HKD197.7 million. As at 15 February 2018, approximately 88.6% of our inventory as of 30 September 2017 had been subsequently used or consumed.

If we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-offs. In addition, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross margins.

High inventory levels may also require us to commit substantial capital resources, preventing us from using that capital for other important purposes. Any of the above may materially and adversely affect our results of operations and financial condition.

We rely on our major suppliers for a stable supply of electronic components products. We may not be approved as an Authorised Distributor of Upstream Manufacturers or an approved supplier of potential customers

An Authorised Distributor within the industry would usually need to meet certain requirements set by the supplier, particularly brand name Upstream Manufacturer, in order to distribute its products. On that note, we are subject to such approval processes by these suppliers. The duration for such approval process varies from one supplier to another and normally ranges from one to three months or even longer. Some of our potential customers may require products of which we are not an Authorised Distributor. If we anticipate a strong demand for Upstream Manufacturers' products, we may consider obtaining Authorised Distributor of such products from the relevant suppliers. However, there is no guarantee that we can be approved as an Authorised Distributor from them. In the event that our Group is not approved as an Authorised Distributor of such suppliers or the duration for such approval process is not acceptable to our Group's potential clients, business opportunities may be lost. Besides, since our potential customers may also perform supplier approval processes, we cannot assure that we will be approved as a supplier of these potential customers even if we are an Authorised Distributor of the relevant products.

The electronic industry is highly competitive. We are currently operating in three operating segments by product categories, namely sale of Memory products, Data & Cloud products and General Components. We are an Authorised Distributor of a number of brand name Upstream Manufacturers, and approved suppliers of certain customers. Some competitors may have more financial and technological resources to compete with our Group. However, there is no assurance that we can continue to be an Authorised Distributor for our suppliers and approved supplier of our customers. Failure to maintain such authorized status may result in losing our competitiveness against existing and/or potential competitors, which may adversely affect our Group's business, financial condition and results of operations.

We may not be able to control our performance as a result of reliance on suppliers

Our business operations depend on obtaining quality components from our suppliers at competitive prices. We purchase memory chips, components of storage system, and other electronic components etc. from our major suppliers. For FY2014, FY2015, FY2016 and FP2017, our total purchases from the five largest suppliers accounted for approximately 81.4%, 87.6%, 90.7% and 88.3% respectively. During the same periods, purchases from our Group's largest supplier accounted for approximately 39.5%, 32.0%, 30.8% and 48.2% of its total purchases respectively.

We generally do not enter into any long-term or master purchase agreement for guaranteed amount of supplies with our major suppliers and our purchase of components are only made on individual orders basis. There is no assurance that any of our major suppliers will continue to supply components to us or there will not be any shortage of supply by these suppliers. Should any of our major suppliers materially reduce their sales to us or terminate their business relationship with us, our business and financial performance may be adversely affected.

We generally do not enter into long-term or master sales agreement with customers and may be unable to accurately predict orders from our customers

We sell various electronic components to its customers on an order-by-order basis. The customers give no purchase guarantee to us. Only a non-committed purchase forecast may be provided by some customers to us. Without a regular or fixed purchase commitment, it is difficult for us to make forecast of future order quantities and revenues so as to plan for efficient and optimal resource allocation and production. There is no guarantee that our customers will continue to place orders with our Group on a consistent basis in terms of quantities, pricing and time intervals. Our profitability, results of operation and financial condition may fluctuate. Period-to-period comparison of financial performance may become less meaningful and our operating results may, for some periods, be below the expectation of market analysts and investors. We generally do not enter into any long-term or master sales agreement with customers. Sales are only initiated by the placing of purchase orders by customers to us. As such, there is no guarantee that our customers will not terminate business relationship with us.

Our business is expected to be affected by seasonality

Our business is generally seasonal in nature. The Directors believe that it is mainly attributable to the stoppage of production of electronic products in some factories in the PRC, a principal market of our Group, during the Chinese New Year. Our sales is generally lower in the first quarter of each year than other quarters. It is possible that seasonality in demand for our products might have a material effect on our sales in the future.

Our Group's business operation and financial position is susceptible to unfulfilled terms and covenants of banking facilities

We raised various bank borrowings to finance our working capital. In securing bank facilities granted to us by a bank, we have to undertake to maintain the tangible net worth *(note)* of certain subsidiaries of our Group of no less than HKD100 million. Based on the unaudited pro forma financial information set out in Appendix II, the unaudited pro forma adjusted combined net tangible assets of our Group ranges from approximately HKD259.0 million and HKD302.2 million. If we breach such covenant, and if the bank thereby cancels or withdraws the relevant banking facilities granted, we will lose banking facilities of HKD251.4 million. Our business operation and financial position will be materially and adversely affected.

Note: "tangible net worth" under the Group's current bank borrowings refers to the aggregate of: (i) the amount paid up on the issued share capital (other than any redeemable share capital) of borrower; and (ii) the capital and revenue reserves (including but not limited to the share premium account, revaluation and retained profits or losses); but after deducting from such sum: (a) goodwill and all other intangible assets; (b) all minority interests in subsidiaries; (c) all amounts set aside for tax; (d) any dividend or other distribution declared/recommended; (e) the excess of the book value to the market value of the listed investments; (f) any amount standing to the debit of the borrower's capital and reserves (including profit and loss account); and (g) any amount due from shareholders, directors, and/or related companies in respect of AVT International.

Further details of our various banking facilities and covenants are set out in the paragraph headed "Indebtedness" under the section headed "Financial Information" of this prospectus.

Our research and development activities may not result in the successful development of new products

We are committed to various research and development activities for the growth of our business. These activities and efforts include the collaboration with our suppliers to develop new products such as biometric sensors. For details, please refer to the section headed "Business – Research and Development" of this prospectus.

There is no assurance that any research and development activities conducted by us will be completed within the anticipated time frame or that the costs of such research and development activities can be fully or partially recovered. We cannot assure you that we can ultimately commercially produce and market new products. Furthermore, if our research and development activities do not result in the successful development of a new product, our reputation, business prospects, financial conditions and results of operations could be materially and adversely affected.

We may record loss in the future arising from property revaluation

Our profit/loss attributable to equity holders of our Company during FY2014, FY2015, FY2016 and FP2017 was approximately HKD11.3 million, HKD24.5 million, HKD39.7 million and HKD25.2 million respectively. A certain portion of such profits arose from fair value gain of investment property during such period. In the future, our profit attributable to equity holders of our Company may be affected by the gains and losses on revaluation of investment property. These upward revaluation adjustments reflect unrealised capital gains on our Group's investment property at the relevant balance sheet dates and are not profit generated from the sales or rentals of our investment property. They do not generate any actual cash inflow to our Group for potential dividend distribution to the Shareholders until such investment properties are disposed of at similar revalued amounts. The amount of revaluation adjustments may be significantly affected by the changes in the key assumptions made in the valuation methodology and the prevailing condition of the property markets and may be subject to judgement and market fluctuations. There is no assurance that we will not record revaluation deficits in the future. In the event that there are material downward adjustments in the fair value of our investment property in the future, our financial position may be adversely affected and we may record loss in the future.

We may face potential disputes over intellectual properties rights during our provision and development of solutions applicable to our products

The products sold by us are applicable to (i) multimedia devices; (ii) data center; and/or (iii) mobile devices. Along with the electronic components supplied to our customers, we also develop and provide reference design solutions to our customers as per their needs and specifications.

The provision and development of solutions are undertaken by our engineering team. Since these solutions developed by us are not registered as patents, we may be involved in litigations or other disputes in the future for protection of such intellectual properties or as a result of any alleged infringement by or of our intellectual properties. Since litigations and dispute resolutions could be time-consuming and expensive, our resources may be impaired and the management's attention on the operations may be temporarily distracted.

RISKS RELATING TO THE INDUSTRY

Our business may be affected by volatile market demand for electronic components and digital storage systems and components

Digital storage components supplied by us are used in various electronic products, such as set-top boxes, smart TVs, smart mobile phones and other multimedia devices. We also supply storage systems and related components. Market conditions for these end products may be volatile and are beyond our control. Future downturns in these markets could have adverse impacts on the demands for the corresponding electronic components and storage systems and components and thus adversely affect our business.

RISK RELATING TO THE PRC

Our business operation may be affected by future economic and political policies of the PRC government

The development of PRC's economy is based on many factors, including but not limited to structure of economy, government involvement, control of foreign exchange, allocation of resources and capital investment. However, any of such changes to the economic and political strategies and policies of the PRC government may have a material adverse impact on the overall development of the electronic industry in the PRC.

As PRC market is an important market for us, we cannot ensure that the PRC government will not impose any economic, political and/or regulatory controls that may adversely affect our business, financial position and results of operation.

RISKS RELATING TO THE GLOBAL OFFERING

Possibility of a lack of an active trading market for the Shares and significant fluctuation of their trading prices

Prior to the Listing, no public market for the Shares existed. An application has been made to the Stock Exchange for the listing and permission to deal in the Shares. However, a listing of the Shares on the Stock Exchange does not guarantee a liquid public market for the Shares after the Listing. If an active public market for the Shares does not develop after the Listing, the market price and liquidity of the Shares may be adversely affected.

Potential dilution effect on the Shares if we issue additional Shares in the future

We may issue equity securities in the future to finance the operations and business strategies (including in connection with acquisitions and other transactions), to adjust the ratio of debt to equity, to satisfy the obligations upon the exercise of outstanding warrants or options or for other reasons. Any issuance of such equity securities could dilute the interests of the existing Shareholders and could substantially decrease the trading price of the Shares.

Investors of the Shares may experience dilution in the net tangible asset book value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset book value per Share.

WAIVER AND EXEMPTION IN RESPECT OF FINANCIAL INFORMATION REQUIRED TO BE INCLUDED IN THIS PROSPECTUS

According to Rule 4.04(1) of the Listing Rules, the Accountants' Report contained in this prospectus must include "the results of the issuer or, if the issuer is a holding company, the consolidated results of the issuer and its subsidiaries in respect of each of the three financial years immediately preceding the issue of the listing document or such shorter period as may be acceptable to the Stock Exchange".

In addition, section 342(1) of the Companies (WUMP) Ordinance requires all prospectuses to be issued, circulated or distributed in Hong Kong to include, among other information, the matters specified in part I of the Third Schedule to the Companies (WUMP) Ordinance (the "**Third Schedule**") and sets out the reports specified in part II of the Third Schedule.

According to paragraph 27 of part I of the Third Schedule, our Company is required to include in this prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) of our Group during each of the three financial years immediately preceding the issue of this prospectus and include an explanation of the method used for the computation of such income or turnover and a reasonable break-down between the more important trading activities.

According to paragraph 31 of part II of the Third Schedule, our Company is required to include in this prospectus a report by the auditors of our Company with respect to profits and losses and assets and liabilities of our Company and/or our Group, for each of the three financial years immediately preceding the issue of the prospectus.

Pursuant to section 342A of the Companies (WUMP) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with any or all the requirements under the Companies (WUMP) 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.

Our Company's financial year end dates are on 31 December and the three financial years immediately preceding the issue of this prospectus are the three financial years ended 31 December 2017. However, the Accountants' Report has only covered the three financial years ended 31 December 2016 and the nine months ended 30 September 2017 but did not cover the full financial year ended 31 December 2017 as required under Rule 4.04(1) of the Listing Rules and paragraphs 27 and 31 of the Third Schedule as strict compliance with such requirements would be unduly burdensome and the exclusion of such information would not prejudice the interests of the investing public for the following reasons:

(i) strict compliance with Rule 4.04(1) of the Listing Rules and paragraphs 27 and 31 of the Third Schedule would be unduly burdensome in order for the audited results of the Group for the year ended 31 December 2017 to be finalised shortly after the year end. If the full year results of the Group for the year ended 31 December 2017 are to be included in the prospectus, there will be a significant delay in the listing timetable. If the financial information is required to be audited up to 31 December 2017, our Company and its reporting accountants would have to undertake a considerable amount of work to prepare, update and finalise the Accountants' Report to cover such additional period within a short period of time. The Directors consider that the benefits of such work to the prospective investors of our Company may not justify the additional work and expenses involved and the delay in the listing timetable, given that it is expected that there would be no significant change in the financial position of our Group since 30 September 2017, being the expiry of the period reported on by our Company's reporting accountants which is not otherwise disclosed in the prospectus;

(ii) our 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 our Group since 30 September 2017 up to the date of this prospectus and that there is no event which would materially affect the information contained in the Accountants' Report and the profit estimate of our Group in this prospectus. Our 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 our Group has been included in this prospectus. Our 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;

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

(iv) this prospectus contains a statement from our Directors that there has been no material adverse change to the financial and trading positions or prospect of our Group since 30 September 2017 (being the date of which the latest audited consolidated financial statements of our Group were made up) and up to the date of this prospectus;

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

(vi) our Company will publish our annual results and annual report within the time prescribed under the Rules 13.46(2) and 13.49(1) of the Listing Rules, respectively.

As such an application has been made to the Stock Exchange for, and the Stock Exchange has granted our Company, a waiver from strict compliance with Rules 4.04(1) of the Listing Rules (the "**Listing Rules 4.04(1) Waiver**"), on the conditions that:

(i) our Company issues this prospectus on or before 28 February 2018 and the Shares shall be listed on the Stock Exchange on or before 31 March 2018;

(ii) our Company obtains a certificate of exemption from the SFC on compliance with the requirements under paragraphs 27 and 31 of the Third Schedule;

(iii) a profit estimate for the year ended 31 December 2017 in compliance with Rules 11.17 to 11.19 of the Listing Rules be included in this prospectus; and

(iv) a Directors' statement that there is no material adverse change to the financial and trading positions or the prospects of our Group with specific reference to the trading results from 1 October 2017 to 31 December 2017 be included in this prospectus.

An application has also been made to the SFC for a certificate of exemption from strict compliance with section 342(1) of the Companies (WUMP) Ordinance in respect of the requirements under paragraphs 27 and 31 of the Third Schedule in relation to the inclusion of an accountants' report covering the full year ended 31 December 2017 in this prospectus. Pursuant to section 342A of the Companies (WUMP) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with any or all the requirements under the Companies (WUMP) 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. A certificate of exemption (the "**Certificate of Exemption**") has been granted by the SFC under section 342A of the Companies (WUMP) Ordinance on the conditions that:

(i) the particulars of such exemption be set out in this prospectus;

(ii) this prospectus be issued on or before 28 February 2018; and

(iii) our Company shall be listed on the Stock Exchange within three months after 31 December 2017, being the latest financial year end of our Company.

Our Directors further confirmed that:

(i) up to the date of this prospectus, there has been no material adverse change to the financial and trading positions or the prospects of our Group since 30 September 2017, being the end of the period reported on in the Accountants' Report, and, in particular, there has been no material adverse change to the financial and trading positions or the prospects of our Group during the period from 1 October 2017 to the date of this Prospectus;

(ii) there had been no event since 30 September 2017 which would materially affect the information shown in the Accountants' Report and the profit estimate of our Group for the year ended 31 December 2017 set out in Appendix III to this prospectus;

(iii) all information necessary for the public to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Company has been included in this prospectus and, as such, the grant of the Listing Rules 4.04(1) Waiver and the Certificate of Exemption will not prejudice the interests of the investing public; and

(iv) our Company will comply with Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the publication of annual results and annual report for the year ended 31 December 2017.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Future (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information to the public with regard to our Group. The Directors collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in this prospectus is 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 in this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Global Offering in Hong Kong, which is sponsored by Ample Capital.

All the Offer Shares will be fully underwritten by the Underwriters pursuant to the Underwriting Agreements. For details, please refer to the section headed "Underwriting" of this prospectus.

RESTRICTIONS ON SALE OF OFFER SHARES

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

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

Prospective applicants of the Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants of the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including the Shares to be issued pursuant to the Global Offering and any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme). No part of our Group's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

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

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at all times after the Listing, our Group maintain the "minimum prescribed percentage" of 25.0% (or such applicable percentage as prescribed by the Stock Exchange) of the issued share capital of our Group in the hands of the public (as defined in the Listing Rules).

PROCEDURE FOR APPLICATION OF HONG KONG OFFER SHARES

The procedure for application for the Hong Kong Offer Shares is set out in the section headed "How to apply for Hong Kong Offer Shares" in the prospectus and on the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The structure and conditions of the Global Offering is set forth in the section headed "Structure and conditions of the Global Offering" in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and 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 on 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. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

COMMENCEMENT OF DEALING IN THE SHARES

Dealing in the Shares on the Stock Exchange is expected to commence at 9:00 a.m. on Friday, 16 March 2018 under the Main Board stock code 6036. Shares will be traded in board lot of 5,000 Shares each.

SHARE REGISTRAR AND HONG KONG STAMP DUTY

All of the Shares issued pursuant to the Global Offering will be registered in the Company's register of members maintained in Hong Kong by our Company's 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.

Dealings in the Shares registered in the register of members maintained in Hong Kong will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice. Unless otherwise determined by our Company, dividends payable in Hong Kong dollars in respect of the Shares will be paid to Shareholders whose names are listed in the register of members in Hong Kong, by ordinary post, at the Shareholders' risks.

VOTING RIGHTS

Holder of each Share is entitled to one vote at our general meetings.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares shall seek advices from their professional advisers for the taxation implications of the subscription for, purchase, holding or disposal of, and/or dealing in the Shares or the exercising of any rights in relation to the Shares. It is emphasised that none of our Company, the Sponsor, the Underwriters, any of their respective directors, officers, employees, advisers, agents or representatives, or any other person or party involved in the Global Offering accepts responsibility for any tax effects on or liabilities of any holder of Shares resulting from the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in the Shares or the exercising of any rights in relation to the Offer Shares.

LANGUAGE

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

EXCHANGE RATE CONVERSION

Unless otherwise specified, certain amounts denominated in RMB have been translated, for illustrative purposes only, into Hong Kong dollars in this prospectus at the following rate:

HK$1.20 : RMB1.00

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

ROUNDING

Certain amounts and percentages figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies between totals and sums of amounts listed in any table are due to rounding.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Lee Bing Kwong (李秉光)	3/F, Block C, Hillview Apt 48 Kadoorie Ave, Kowloon Hong Kong	Chinese
Mr. Lo Yuen Kin (盧元堅)	8/F, Richmond Court 111-113 Robinson Road Sai Ying Pun Hong Kong	Chinese
Independent Non-Executive Directors		
Mr. Cheung Siu Kui (張小駒)	Paloma, Palm Springs No. 26 Geranium Path Yuen Long, New Territories Hong Kong	Chinese
Mr. Yim Kwok Man (嚴國文)	FT A, 35/F, Billionnaire Royale 83 Sa Po Road Kowloon City, Kowloon Hong Kong	Chinese
Dr. Chow Terence (鄒重堪)	Flat 6, 6/F St. George's Court 81A Kadoorie Ave, Kowloon Hong Kong	Chinese

Further information of our Directors is disclosed in the section headed "Directors, Senior Management and Employees" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sponsor	**Ample Capital Limited** Unit A, 14/F Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong
Sole Global Coordinator	**Ample Orient Capital Limited** Room A, 17/F, Fortune House 61 Connaught Road Central, Central Hong Kong
Joint Bookrunners	**Ample Orient Capital Limited** Room A, 17/F, Fortune House 61 Connaught Road Central, Central Hong Kong **Wealth Link Securities Limited** Unit B1, 5/F Guangdong Investment Tower 148 Connaught Road Central Hong Kong
Joint Lead Managers	**Ample Orient Capital Limited** Room A, 17/F, Fortune House 61 Connaught Road Central, Central Hong Kong **Wealth Link Securities Limited** Unit B1, 5/F Guangdong Investment Tower 148 Connaught Road Central Hong Kong **AFG Securities Limited** Room B, 17/F, Fortune House 61 Connaught Road Central, Central Hong Kong
Legal adviser to our Company as to Hong Kong law	**P. C. Woo & Co.** Room 1225, Prince's Building 10 Chater Road Central Hong Kong

Legal adviser to our Company as to PRC law	**ETR Law Firm** 29 & 10/F, Chow Tai Fook Finance Center No. 6, Zhujiang Dong Road Tianhe District Guangzhou, China 510623
Legal adviser to our Company as to Cayman Islands law	**Conyers Dill & Pearman** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal adviser to the Sponsor and the Underwriters as to Hong Kong law	**Mason Ching & Associates** Unit 2403, 24/F World-Wide House 19 Des Voeux Road Central Hong Kong
Auditors and reporting accountants	**Graham H.Y. Chan & Co.** Rooms 3719-26, 37/F Sun Hung Kai Centre 30 Harbour Road, Wanchai Hong Kong
Financial Advisor to our Company	**Hooray Capital Limited** 1/F, Guangdong Investment Tower 148 Connaught Road Central, Hong Kong
Industry consultant	**Frost & Sullivan International Limited** 1706, One Exchange Square 8 Connaught Place Central Hong Kong
Property valuers	**International Valuation Limited** Room 1213, 12/F Houston Centre 63 Mody Road, Tsim Sha Tsui Kowloon, Hong Kong
Receiving bank	**DBS Bank (Hong Kong) Limited** 16/F, The Center 99 Queen's Road Central Central Hong Kong

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive P O Box 2681 Grand Cayman KY1-1111, Cayman Islands
Headquarters and head office, Principal place of business in Hong Kong	Units 2–3, 1/F Sun Cheong Industrial Building 1 Cheung Shun Street Kowloon, Hong Kong
Principal place of business in the PRC	Unit A-1303, Tianan High-Tech Plaza Futian District, Shenzhen, China
Authorised representatives (for the purpose of the Listing Rules/ for the purpose of the Companies Ordinance)	Mr. Lee Bing Kwong 3/F, Block C, Hillview Apartments 48 Kadoorie Ave, Kowloon Hong Kong Ms. Tang Yuen Ching Irene Units 2-3, 1/F Sun Cheong Industrial Building 1 Cheung Shun Street Kowloon, Hong Kong
Company secretary	Ms. Tang Yuen Ching Irene *(CPA and FCCA)* Units 2-3, 1/F Sun Cheong Industrial Building 1 Cheung Shun Street Kowloon, Hong Kong
Compliance officer	Mr. Lo Yuen Kin
Members of the Audit Committee	Mr. Yim Kwok Man *(Chairman)* Mr. Cheung Siu Kui Dr. Chow Terence
Members of the Nomination Committee	Mr. Lee Bing Kwong *(Chairman)* Mr. Cheung Siu Kui Dr. Chow Terence

Members of the Remuneration Committee	Mr. Cheung Siu Kui *(Chairman)* Mr. Lee Bing Kwong Mr. Yim Kwok Man
Principal share registrar and transfer office	**Conyers Trust Company (Cayman) Limited** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	**Union Registrars Limited** Suites 3301-04, 33/F. Two Chinachem Exchange Square 338 King's Road, North Point Hong Kong
Principal bankers	**The Hongkong and Shanghai Banking Corporation Limited** 1 Queen's Road Central Hong Kong **DBS Bank (Hong Kong) Limited** 16/F, The Center 99 Queen's Road Central Central, Hong Kong **Hang Seng Bank Limited** 83 Des Voeux Road Central Central, Hong Kong
Compliance adviser	**Ample Capital Limited** Unit A, 14/F Two Chinachem Plaza 135 Des Voeux Road Central Central, Hong Kong
Website of our Company	http://www.apexace.com *(information contained in the website does not form part of this prospectus)*

The information that appears in this section has been prepared by Frost & Sullivan and reflects the estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Frost & Sullivan should not be considered as the opinion of Frost & Sullivan as to the value of any security or the advisability of investing in the Company. The Directors believe that the sources of information contained in this section are appropriate 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. The Directors confirm, after making reasonable enquiries, that there is no adverse change in the market information since the date of the commissioned research report which may qualify, contradict or have an impact on the information in this section.

The information prepared by Frost & Sullivan and set out in this section has not been independently verified by us, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters, or any of their affiliates or advisors, nor any other party involved in the Global Offering and no representation is given as to its accuracy or correctness and accordingly it should not be relied upon in making, or refraining from making, any investment decision.

SOURCE OF INFORMATION

Our Group had commissioned Frost & Sullivan to provide information on the electronic components distribution industry in Mainland China and Hong Kong. The Group had agreed to pay a fee of HKD530,000 to Frost & Sullivan for the report. The Directors are of the view that the payment does not affect the fairness of the views and conclusions presented in the Frost & Sullivan Report.

RESEARCH METHODOLOGY

In compiling and preparing the research report, Frost & Sullivan conducted primary research including interviews with industry experts and participants and secondary research which involved reviewing the statistics published by the government official statistics, International Trade Centre, industry publications, annual reports and data based on its own database. Frost & Sullivan presented the figures for various market size projections from historical data analysis plotted against macroeconomic data, as well as data with respect to the related industry drivers and integration of expert opinions. Frost & Sullivan assumed that the social, economic and political environment in Mainland China and Hong Kong are expected to remain stable.

ABOUT FROST & SULLIVAN

Frost & Sullivan is an independent global consulting firm founded in 1961. It offers industry research, market strategies and provides growth consulting and corporate training. Its industry coverage includes industrial and machinery, automotive and transportation, chemicals, material and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics and technology, media and telecom. The Frost & Sullivan Report includes information on data of the electronic components distribution industry in Mainland China and Hong Kong.

DEFINITION AND CLASSIFICATION OF ELECTRONIC COMPONENTS

An electronic component is a basic electronic element that is used in an electronic system to affect electrons or their associated fields. Electronic components have two or more electrical terminals aside from antennas which may only have one terminal. These leads connect, usually soldered to a printed circuit board, to create an electronic circuit with a particular function. Basic electronic components may be packaged discretely, as arrays or networks of like components, or integrated inside of packages such as semiconductor integrated circuits, hybrid integrated circuits, or thick film devices.

Based on the functions, electronic component products can be classified into the following categories:

- **Memory Products**

  Memory electronic components mainly refer to those integrated circuits made out of millions of transistors that can store data or can be used to process code. Memory integrated circuits (IC) are essential electronic components in computers, mobile phones and other electronic devices in which memory storage plays a key role.

  Examples: DDR; MMC (eMMC); MCP (eMCP) etc.

- **Data & Cloud Products**

  Data & Cloud is a model of data storage in which digital data is stored in logical pools, the physical storage spans multiple servers, and the physical environment is typically owned and managed by a hosting company. Several components are needed for data & storage.

  Examples: accessories (battery, fiber-optic products); RAID; NIC; controller IC ; Ethernet and networking switch chip; SAS expander interface chip (including RAID controller chip); PCI express switch chip, etc.

- **General Components**

  Other electronic components covers those generally used in various electronic products and for basic functions.

  Examples: audio amplifiers; passive ICs; resistors; capacitors; processors; main chips, etc.

OVERVIEW OF KEY APPLICATIONS OF ELECTRONIC COMPONENTS IN MAINLAND CHINA AND HONG KONG

Multimedia devices, mobile devices and data centers are three key applications in terms of market share and market growth in the Mainland China and Hong Kong electronic products industry. It is noted that they are not the only applications of electronic components.

Multimedia Devices

Definition and Examples

Multimedia refers to a way of recording and presenting content by using various media rather than just the traditional printed and tangible material in order to enhance the visual effects and readability. Nowadays, multimedia can be a combination of text, images, audio, video, animation, graphics and even interactive content. A Multimedia Device is therefore an electronic media device that is characterized by the ability to record, play, display interactive with or access the diverse data types mentioned above. These devices are popular and widely used in, for example, education, business, entertainment and communication. Here are the examples of popular multimedia devices in Mainland China and Hong Kong:

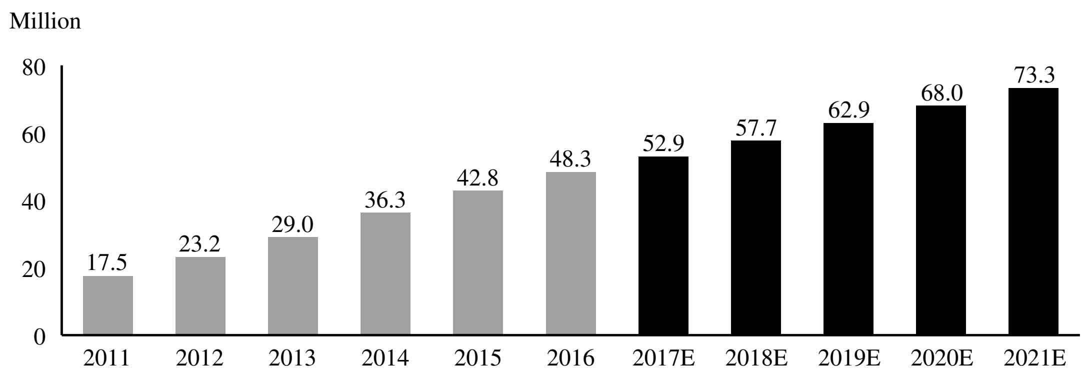
- Set-top box
- Smart television
- Gaming console
- DVD player
- Virtual Reality (VR) device
- Projector, and
- Digital video camera, etc.

Set-Top Box

Set-top box is one of the fastest growing segments in the multimedia device industry in Mainland China and Hong Kong. Set-top box (STB), which is also known as set-top unit, is an electronic multimedia device that generally comprises of TV-tuner input, display output and an external source of signal. Set-top box is used to turn the source signal into content that is normally played and displayed on a television screen. Set-top boxes can be used in cable television, satellite television, broadcast television and smart digital television.

Set-top box appeared in China at the beginning of the 21st century, yet it only began to receive popularity in recent years. In 2011, there were only 17.5 million units of set-top box in the PRC Region, but in 2016 it has increased to over 48.3 million units. Looking forward, it is expected that the demand for set-top box will remain at a high growth rate driven by the pursuit of higher living standards among Chinese citizens and the ongoing television digitalization. Moreover, the improvement of image definition and wide application of interactive functions of set-top boxes are anticipated in the future. It is also expected that set-top box will evolve from a broadcasting terminal to the control hubs in smart-home applications.

Sales Volume of Set-top Box in China, 2011-2021(E)



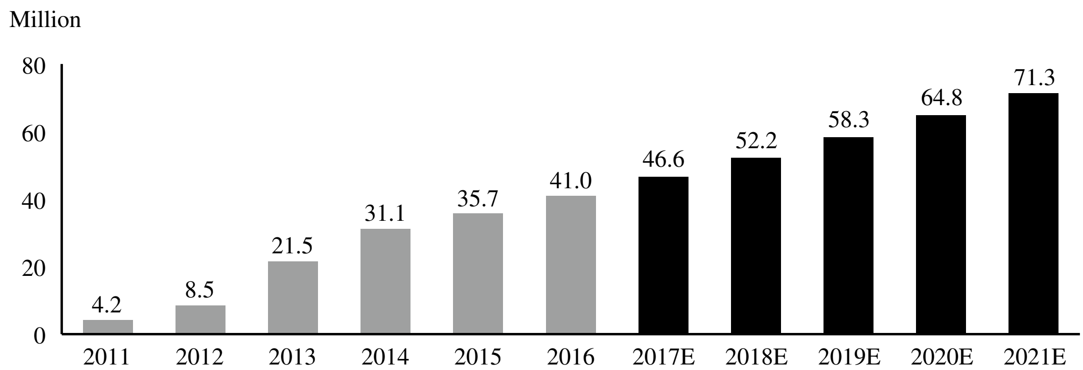
Source: Frost & Sullivan

Smart TV

Smart TV is a technological convergence between computers and flat screen television sets with set-top boxes. Besides the traditional functions of television sets and set-top boxes provided through traditional broadcasting media, these devices can also provide Internet TV, online interactive media as well as on-demand streaming media, and home networking access.

Supported by the development information technology, and driven by the increasing income of Chinese consumers, smart TV market experienced remarkable growths in the past five years. To be more specific, many television manufacturing brands were engaged in the market segment and started to launch their smart TV models since the year of 2011 and since then the market surged in the following years. In the future, with increasing penetration rate of smart TV among domestic households, the growth of the entire market is expected to stabilize in the future but will remain growing. In 2021, the sales volume of smart TV is expected to reach 71.3 million.

Sales Volume of Smart TV in China, 2011-2021E



Source: Frost & Sullivan

Mobile Devices

Definition and Examples

Mobile devices refers to small and portable electronic devices that can be hand-held or worn on the body of users. Such devices normally have an operating system and provide a diverse range of functions. Typical input units of mobile devices include small numeric or alphanumeric keyboards, virtual keyboards on touch screens, microphone, and buttons. Output units generally include screens, headsets, and even vibration devices. Many mobile devices nowadays can connect to the internet, Wi-Fi, Bluetooth to interact with other electronic devices. Here are the examples of popular mobile devices in Mainland China and Hong Kong.

- Mobile computers: laptop, tablet, personal digital assistant, handheld gaming console, etc.
- Mobile phones: smartphone and feature phone
- Wearable devices: smart glasses, smart watch, healthcare wearable device, etc.

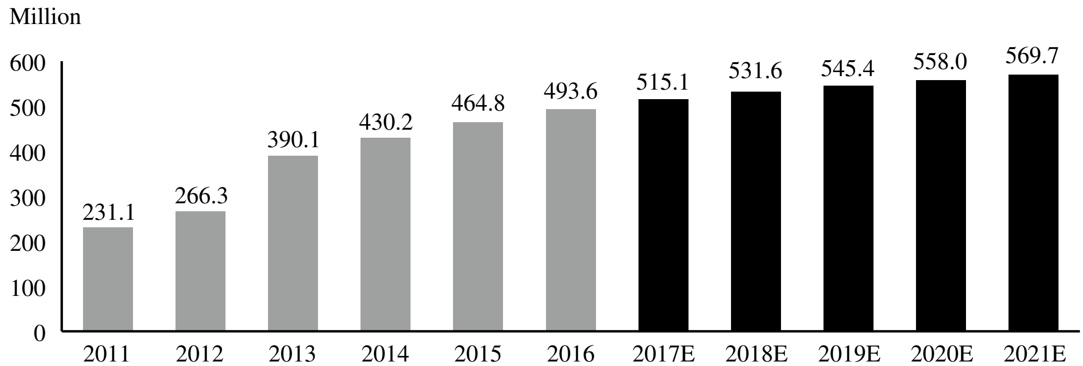
Mobile Phone

Feature phone is a mobile phone which is limited in capabilities in contrast to a modern smartphone. A feature phone has functions including voice calling and text messaging.

Smart phone is a mobile personal computer with an advanced mobile operating system with features useful for mobile or handheld use. Smartphones can access the Internet through cellular or Wi-Fi and can run a variety of third-party software components.

The mobile phone market in China in recent years has been mainly driven by the popularization of smartphones. Feature phones were started to be replaced by smartphones in 2009 and since then the penetration rate of smartphones among Chinese consumers has been increasing. In the future, with the penetration rate of smartphones being increasingly high and the improving quality which contributes to the longer useful life of smartphones, the growth of smartphone market is expected to stabilize. The entire mobile phone market is anticipated to reach 569.7 million in 2021 in terms of sales volume.

Sales Volume of Mobile Phone in China, 2011-2021E



Source: Frost & Sullivan

Data Centers

Definition

Data centers refer to the tremendous amount of secondary storage required by large enterprises. Data centers comprise of mass storage, networking and server functions.

Mass storage refers to the storage of large amounts of data that persists in a device or a system and can be accessed by users.

Networking refers to an operating system that allows the sharing of files, communication, and other networking functions.

A Server refers to a computer program or a device that enables multiple clients to share resources. A server is therefore the center of networking system.

Data Centers are integrated systems that processes and store massive data, and enables users to access and share such data at convenience.

OVERVIEW OF MAINLAND CHINA AND HONG KONG ELECTRONIC COMPONENTS DISTRIBUTION INDUSTRY

Definition and Classification of Electronic Components Distributor

Electronic components distributors are intermediaries that procure integrated circuits and other electronic components from Upstream Manufacturers and sell them to other distributors who are not an Authorised Distributor of the relevant electronic component, independent design houses, and/or directly to Downstream Manufacturers.

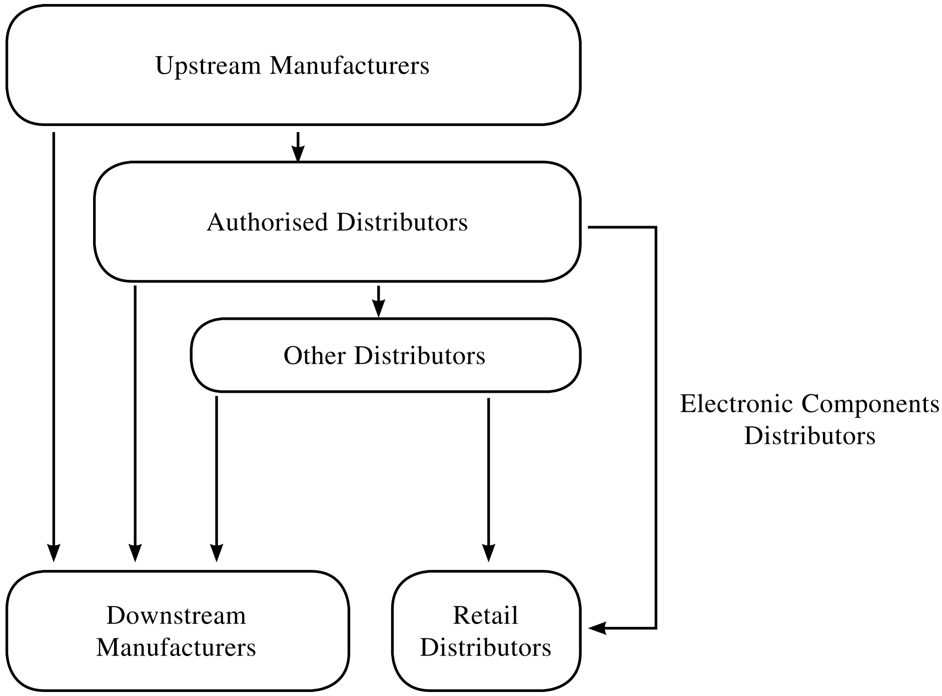
Based on the business scales, electronic components distributors can be classified into:

- *Authorised Distributors*
- *Other Distributors*
- *Retail Distributors*

There are various scales of electronic components distributors in the market, and it is a highly dispersed and complicated distribution channel structure. Large distributors could be suppliers for trading companies and retail distributors.

Value Chain Analysis

The following chart illustrates the typical value chain of electronic components distribution industry:



Source: Frost & Sullivan

Upstream Manufacturers

Upstream semiconductor manufacturing market is very concentrated. Major semiconductor design and manufacturing companies are located mainly in the U.S., Europe, Japan, South Korea, and Taiwan. China also has semiconductor manufacturers, but only a few of them are brand name manufacturers that have significant shares in the market. However, China has a large consumption power of semiconductor products as well as a substantial number of electronic products manufacturers, and therefore the demand for semiconductor products is huge. Brand name semiconductor manufacturers normally make sales to China through electronic components distributors, except with direct sales to some large electronic products companies.

Authorised Distributors (with Authorised Distributor Status)

The structure of electronic components distribution channel in China is very dispersed and complicated with different types and scales of distributors. Brand name Upstream Manufacturers usually have their Authorised Distributors in China. Such distributors make sales directly to large Downstream Manufacturers, or act as primary distributors and make sales to other distributors who do not possess Authorised Distributor status and independent design houses. As Authorised Distributors are normally large distributors that have advantages in particular regions or market segments, Upstream Manufacturers nowadays usually engage Authorised Distributors to enter new markets. Upstream Manufacturers generally engages a few authorised distributors to distribute their products under similar transaction terms for each specified region/country. However, overlapped coverage and fierce competition among cannibalization between Authorised Distributors will be avoided as Upstream Manufacturers generally would have access to monitor their distributor's sales network of their products, such that these Authorised Distributors would focus on developing their sales network without worrying cannibalization between customers. To be an Authorised Distributor is of high entry barriers because brand name Upstream Manufacturers normally only grant a very few number of Authorised Distributors to work with them. The previous cooperation experience, market resources, company scale and revenue, track record experience, and other various factors should be taken into their consideration when choosing an authorised distributor. Therefore, it is not easy for new entrant/existing market participant to expand the number of brand name Upstream Manufacturers.

Furthermore, it is an industry norm that downstream manufacturers use forwarders or agents to settle logistics services and payment handing when purchasing electronic components from distributors.

Other Distributors

Other distributors who do not have the resources to reach brand name Upstream Manufacturers, usually source semiconductors from electronic components distributors which possess Authorised Distributor status, and make sales to small to medium Downstream Manufacturers as well as retail Distributors.

Lacking the resources to reach brand name Upstream Manufacturers, they usually source semiconductors from large electronic components distributors, and make sales to small to medium Downstream Manufacturers as well as electronic components retailers. In electronic components distribution industry, it is common that distributors will trade with each other. Here are some scenarios:

- In view of an urgent and large order from Downstream Manufacturers to a distributor, there may be a temporary shortage in supply in the normal supply chain when the distributor and electronic components manufacturer both run out of buffer stock. It may take up to several weeks for a new batch of electronic components to be manufactured. Thus, the electronic components manufacturer may seek for buffer stock from other distributors and facilitate a trade between two distributors.

- When a particular order from an Downstream Manufacturer is relatively small in quantity, the distributor may choose to ride on a bigger purchase order from another distributor to the electronic components manufacturer at the electronic components manufacturer's request.

- When an Downstream Manufacturer requests a certain product from a distributor and the distributor is not an Authorised Distributor of that product the distributor will need to purchase such products from another distributor who is Authorised Distributor.

- Downstream Manufacturers will only maintain a relationship with a manageable amount of electronic components distributors. This is done by assigning vendor codes to their suppliers, ie. the distributors. Distributors with no vendor code assigned will not be allowed to supply products to that Downstream Manufacturers. In case the Downstream Manufacturer need to source products from a distributor currently not assigned any vendor code, the products will need to be sold to a distributor with vendor code and then sold to the Downstream Manufacturers.

Relationship between Market Participants

Importance of Distributors for Upstream Manufacturers

Except for selling directly to some large electronic products companies, Upstream Manufacturers normally make sales in China through electronic components distributors. The reasons include:

There are many Downstream Manufacturers in China with various business scales. It is therefore difficult for Upstream Manufacturers to reach each customer with their own distribution channel. Electronic components distributors use their advantages in logistics, mass purchase and sales, providing benefits to both suppliers and customers. More importantly, electronic components distributors and their engineering teams provide technical supports and field application supports to allow compatibility between electronic components manufactured by different manufacturers, so that the Downstream Manufacturers can put components from different sources into manufacturing and assembling process of electronic products. Furthermore, distributors provide many other value-added services that are difficult or less cost effective for Upstream Manufacturers to accomplish, for example, design, pre-purchase consulting, after-sale services and customer relation maintenance etc.

Heavy Reliance of Distributors on Major Upstream Manufacturers

First of all, the upstream market of different types of integrated circuits is very concentrated, and distributors source products from a limited number of suppliers. The heavy reliance of distributor on major Upstream Manufacturers are in place by nature.

To survive and succeed in the increasingly competitive electronic components distribution market, and to meet the fast-changing demand from downstream customers on a timely basis, distributors are required to maintain the relationship with Upstream Manufacturers that produce good-quality and advanced components. Such Upstream Manufacturers normally have stringent criteria to select Authorised Distributors in China. For example, technical competence and quality control are key points as they are closely related to the reputation of suppliers. Other selecting criteria include distributors' geographic coverage of business, historical success in distributing similar products, and operating performance in the market etc. Normally Upstream Manufacturers do not grant exclusive distribution rights to particular distributor for the purpose of controlling risks and reaching more customers.

The cost of switching suppliers are also significant for distributors as they need to receive training to provide technical supports for customers and build the relationship and compatibility among new suppliers and existing customers.

Mutual Reliance between Distributors and Major Customers

For distributors, large customers provide significant and constant sources of revenue due to their strong presence in respective electronic products market. Also, when stable and long-term business relationship is established, costs on communication, distribution, and compatibility can be effectively controlled as a result of economies of scale. The switching cost for distributors is significant.

For Downstream Manufacturers in China, they do not easily switch their suppliers, especially those electronic products manufacturers and electronic components retailers with established and stable business. Many factors are taken into consideration when selecting distributors, including distributors' product mix, response time to newest technology, value-added services provided, distribution channel and prices of products and services etc. Customers choose distributors that fit their strategies and budgets. Therefore, once firm business relationship has been established, it is costly and risky for customers to switch distributors.

Life Span and Life Cycle of Electronic Components by Type

			General Components	
	Memory Components	**Data and Cloud Components**	**Legacy Components**	**High-growth Components**
Life Span	5 to 7 years	7 to 10 years	7 to 9 years	4 to 6 years
Life Cycle	2 to 3 years	2 to 3 years	3 to 6 years	2 to 3 years

Source: Frost & Sullivan

The Influence of Product Life Cycle on Electronic Components Distributors' Businesses

Electronic components manufacturing is evolving rapidly in the technology field. Driven by the ever-changing demands for electronic products with new and advanced functionality, electronic components normally have short life cycles. Such life cycle means that some products might fade out and become legacy from time to time. Given there are market players in different geographic location with different customer base, normally the legacy products in one end of the world could still be products in demand in another, creating room to sell these products at a relatively lower and/or negative margin rather than writing them off. Consequently, it is very common that distributors might incur loss from selling these slow moving/ obsolete items given the freight costs etc.

The Trend of Purchasing Prices of Electronic Components from Upstream Manufacturers

Prices of electronic components sold by original manufacturers normally experience periodic fluctuations which is a result of unbalanced relationship between supply and demand. When market demand exceeds current supply of electronic components, prices will increase. As a result, manufacturers will raise their production and offer more products to the market for meeting the demand. When the amount of existing products becomes larger than actual demand, prices will then start to fall.

In 2013, prices of electronic components sold by manufacturers begun a new cyclical downturn. After hitting the bottom in 2015, prices have been increasing and are expected to continue growing in the following two to three years.

The Trend of Selling Prices of Electronic Components to Downstream Manufacturers

As the electronic products market has been increasingly maturing in recent years in China, the competition is more fiercer than ever. To obtain price advantage, Downstream Manufacturers usually tend to minimize their cost of production by depressing the purchase prices of electronic components sourced from distributors. Furthermore, due to the likewise fierce competition in the electronic components distribution market in China and Hong Kong, players cannot risk losing customers by raising product prices.

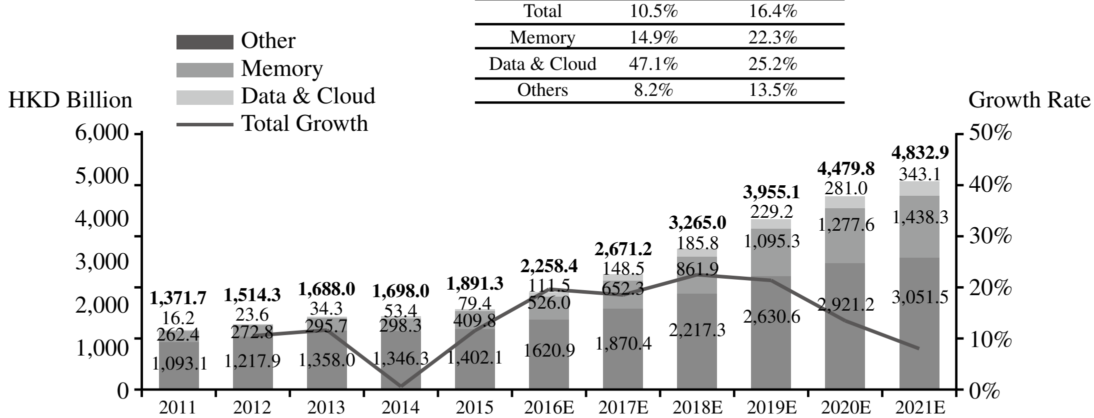
Market Size of Electronic Components Distribution Industry in Mainland China and Hong Kong

Driven by the increasing demand for electronic products worldwide, China as one of the largest electronic product manufacturing and consumption country has been experiencing notable growths in the sales value of electronic components. Distributors are playing an essential role in the value chain of electronic industry. In PRC and Hong Kong, the total sales value of electronic components distributors increased from HKD1,371.7 billion in 2011 to HKD2,258.4 billion in 2016, representing a CAGR of 10.5%. Breakdown by the types of electronic components distributed, Data & Cloud components and memory components had noticeable growth rate in the past five years, which was a result of the growing application of cloud service and increasing sales of mobile electronic devices as well as multimedia devices, such as smart phones and set-top boxes.

Going forward, the market of electronic components distribution is expected to further grow with the continuously enlarging downstream markets. It is expected that the total sales value of electronic components distributors in PRC and Hong Kong will reach HKD4,832.9 billion in 2021, representing a CAGR of 16.4% from 2016 to 2021.

Sales Value of Electronic Components Distribution in Mainland China and Hong Kong, 2011-2021E

CAGR	2011-2016E	2016E-2021E
Total	10.5%	16.4%
Memory	14.9%	22.3%
Data & Cloud	47.1%	25.2%
Others	8.2%	13.5%



Source: National Bureau of Statistics of China, Census and Statistics Department of Hong Kong, International Trade Centre, Frost & Sullivan

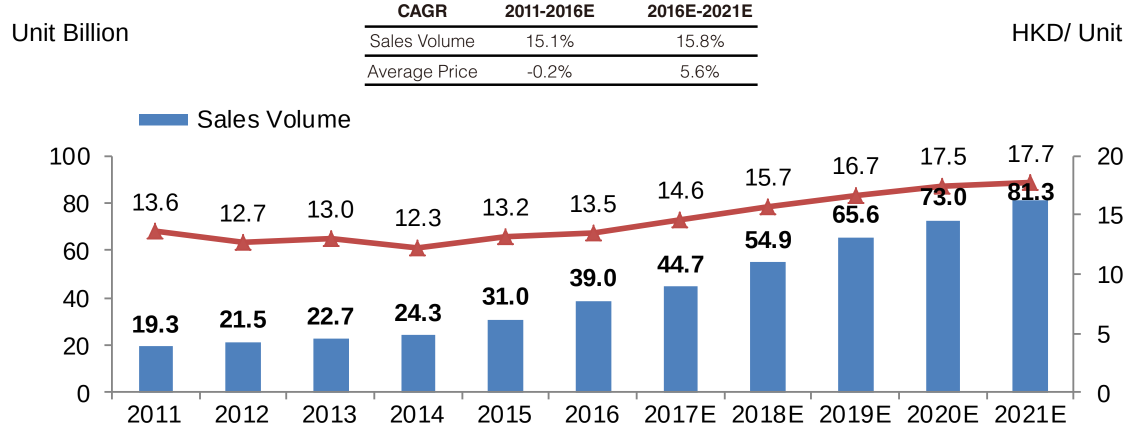
Note:
The exchange rate is RMB1=HKD1.1164 at 31 December 2016, according to Oanda

Driven by the increasing number of electronic products equipped memory chips, especially mobile phones and multimedia devices, the sales volume of memory electronic products experienced rapid growth in the past five years in Mainland China and Hong Kong. It increased from 19.3 billion units in 2011 to 39.0 billion units in 2016, representing a CAGR of 15.1%. In the future, as the further development of electronic products industry, the market demand for memory components is expected to grow continuously. The sales volume is estimated to reach 81.3 billion units in five years, representing a CAGR of 15.8% from 2016 to 2021.

Due to the enlarging demand for memory products, more manufacturers and distributors were engaged in the memory segment. Impacted by the fierce competition and product innovations, the selling price of memory components in Mainland China and Hong Kong experienced fluctuations over the past five years. In the future, however, the selling price is expected to grow driven by the higher storage capacity of memory products and constantly improving speed of read and write.

Sales Volume and Average Price of Memory Products Distribution in Mainland China and Hong Kong, 2011-2021E

CAGR	2011-2016E	2016E-2021E
Sales Volume	15.1%	15.8%
Average Price	-0.2%	5.6%

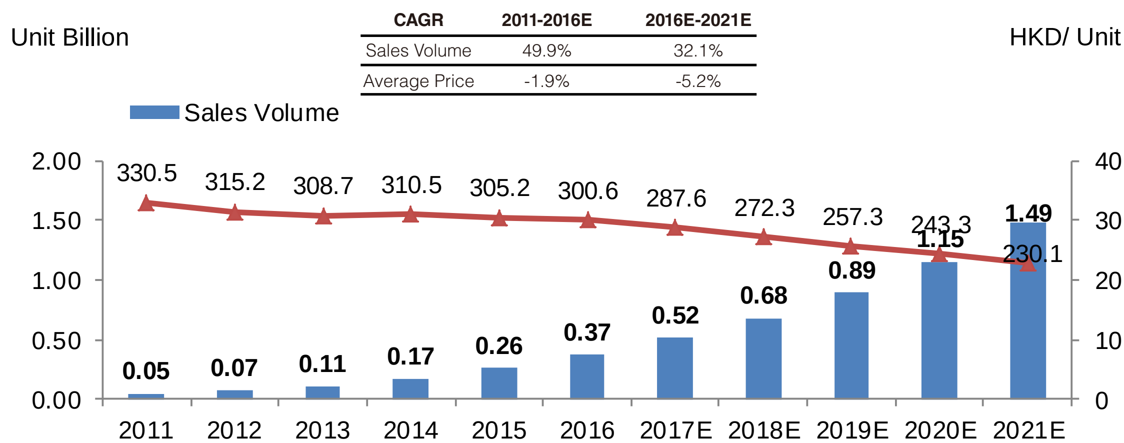


Source: National Bureau of Statistics of China, Census and Statistics Department of Hong Kong, International Trade Centre, Frost & Sullivan

Data & cloud products experienced remarkable growth in sales value and volume in Mainland China and Hong Kong as they were widely used in data centers such as enterprise-level secured server systems. The sales volume of data & cloud products increased from 0.05 billion units in 2011 to 0.37 billion in 2016, representing a CAGR of 49.9%. In the future, with the increasing amount of data need to be stored and shared in enterprises or organizations, the demand for data & cloud products is expected to further grow and reach 1.49 billion units in 2021, representing a CAGR of 32.1% from 2016 to 2021.

Since the appearance of data & cloud, the selling price of such products has been seeing decreases, which were a result of increasing competition among competitors and developing technology that helped reduce the production costs. In the future, the selling price of data & cloud products is expected to further decrease with the market being more mature.

Sales Volume and Average Price of Data & Cloud Products Distribution in Mainland China and Hong Kong, 2011-2021E

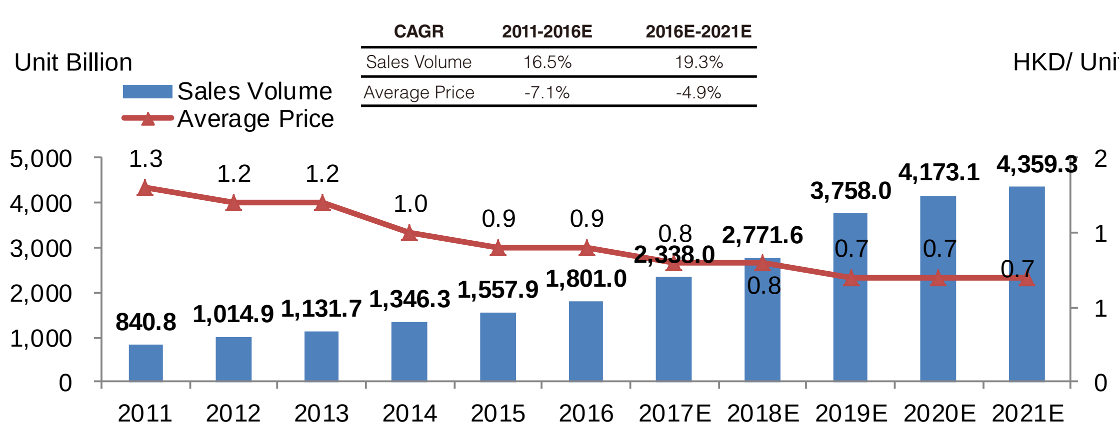


Source: National Bureau of Statistics of China, Census and Statistics Department of Hong Kong, International Trade Centre, Frost & Sullivan

For other electronic components, the sales volume has been constantly increasing as driven by the development of electronic products industry in Mainland China and Hong Kong. It increased from 840.8 billion units in 2011 to 1801.0 billion units in 2016, representing a CAGR of 16.5%. In the future, with more types of electronic products being developed and increasing functions and features of such products, more general components will be demanded. The sales value of other electronic components is expected to reach 4,359.3 billion units in 2021, representing a CAGR of 19.3% from 2016 to 2021.

The average selling price of other electronic components has however under a decreasing trend in the past five years, and this trend is expected to continue in the near future. This is a result of increasing competition in the entire electronics industry as well as the evolving technology that reduces the development and production costs of electronic components.

Sales Volume and Average Price of Other Electronic Components Distribution in Mainland China and Hong Kong, 2011-2021E



Source: National Bureau of Statistics of China, Census and Statistics Department of Hong Kong, International Trade Centre, Frost & Sullivan

Market Drivers

Increasing Demand from Downstream Industry

With the developing economy in China and increasing purchasing power of Chinese consumers, as well as the development of information technology, the market demand for electronic products has been rapidly expanding over the past few years. In the PRC and Hong Kong, there are around 3.2 million electronic product manufacturers in 2016 ranging from large blue-chip manufacturers to medium and small sized businesses. Such enterprises are engaged in manufacturing various types of electronic products, among which electronic communication equipment and consumer electronics have been experiencing the greatest development and increasing market demand, such as set-top boxes, mobile devices, and Internet of Things products.

The increasing popularity of electronic products boost the market demand for electronic components. Some electronic components are experiencing fast growing demand due to the high demand for the application products. For instance, memory electronic components are massively demanded as the sales of mobile devices surging, and memory components are now widely used for mass storage and surveillance systems which are increasingly required by enterprises. Moreover, with the future wide application of 5G mobile technology, as well as increasing penetration rate of fibre-to-home internet in China, the market demand for memory and Data & Cloud components is expected to further escalate.

Widening Application of Internet of Things (IoT)

The Internet of things (IoT) is the inter-networking of physical devices, connected devices, vehicles, smart devices, buildings and other items embedded with electronics, sensors, actuators and network connectivity which enable these objects to collect and exchange data. The concept of IoT currently is still at the early stage of development, mainly used in areas of higher intelligence requirements such as intelligent transportation, logistics, manufacturing, energy and others. IoT was officially listed as one of the five emerging strategic industries by China government in August 2009. China's IoT industry scale grew by 29.3% in 2016 and it is expected to reach a market size over HKD2.2 trillion by 2021. With the expansion of the application scope of IoT in China with increasing market acceptance, the market demand for related electronic components has therefore been growing, including sensors, RF power, and machine to machine (M2M) component, and the corresponding distribution market has also been under development.

Growing Popularity of Cloud Service

Cloud storage is a model of data storage in which the digital data is stored in logical pools, the physical storage are made by different servers in multiple locations and the physical environment is owned and managed by a hosting company. Cloud storage service was firstly introduced by Amazon in 2006 and since then the global cloud service market began to develop. China's cloud service market began in 2009 and China's cloud service market size has exceeded HKD223 billion in 2016. According to the Ministry of Industry prediction, China's cloud service market will reach HKD480 billion by 2019. The application scope of cloud services has been growing for public, business and private use. Correspondingly, the scale of electronic components supporting Data & Cloud and its distribution industry has been also expanding.

Government Support

Chinese government has been taking actions to regulate and support the development of all participating industries in the electronics market, including the electronic product manufacturing industry, electronic components manufacturing industry as well as the electronic components distribution industry. For example, the 13th Five-Year Plan issued in 2016 points out the information technology industry will be one of focused industries for development. Made in China 2025 issued in 2016 clearly specifies that the key products in the information technology industry include integrated circuits, information and communication products and others. With the support from the government, such electronic products and components manufacturing industries are expected to have rapid development in the near future. And as an important role in the supply chain, electronic components distribution industry is also anticipating further growth.

Modern Procurement and Distribution Means

The development of internet technology and transportation industry in China provide modern procurement and distribution means for electronic components distributors. Online procurement of electronic components is becoming an important trend in the modern electronics industry. With the help of internet services, it is more convenient for electronic components distributors to acquire new customers, especially those medium and small sized Downstream Manufacturers, and enlarge their customer profiles. Moreover, the transportation of goods in China is becoming increasingly safe and quick. The process of electronic components procurement and distribution, which largely involves imports, is benefited from the development of modern transportation.

Key Industry Development Trends

Online Procurement Becoming More Common in Downstream Industries

Benefited from the development of information technology and increasing internet usage in PRC and Hong Kong, the number of Downstream Manufacturers engaged in online procurement has increased from 6,000 in 2010 to over 100,000 in 2016, and this number is expected to rise largely in the near future. For electronic components purchasers, they can easily compare products and services among various suppliers and make orders through the internet and being free from the restrictions of time and locations; for electronic components distributors, the online platform enables them to reach more potential customers, update and present their product mix at ease, communicate with customers instantly and more conveniently, and also provide some extra technical support such as supply chain management, data storage and management and financing services. The growth of online procurement is supported and driven by several factors. For example, the PRC Ministry of Commerce published the Guiding Opinions on the Development of E-Commerce in 13th Five-Year Plan in 2016 aiming to promote the development of e-commerce in China. Moreover, the third-party payment platform has become more secure and convenient for B2B e-commerce, and some traditional banks have involved in providing online payment services for e-commerce participants.

Increasing Flexibility in Providing Different Products by Electronic Components Distributors

Currently in Mainland China and Hong Kong, the electronic components distribution market is fragmented with different sized distributors. In the future, the market concentration level is expected to rise as a result of increasingly fierce competition and mergers and acquisitions among market players. To survive and grow in the high-technology industry where products are evolving and changing very quickly, electronic components distributors are expected to improve their capability in providing the most updated products timely to meet the demands of different customers. Even for those distributors that focus on distributing specific types of electronic components, they also need to be equipped with the flexibility in updating their product mix within the category to keep up with the fast development of technologies. For example, some distributors are concentrated on selling memory ICs. However, there are several types of memory ICs, and the number of types are growing with the technological evolvement. It therefore requires memory electronic components distributors to be able to source the newest types of products to meet demands of the downstream industry in a quick manner.

Market Challenges

Thin Profit Margin for Electronic Components Distributors

With the fast development of electronic products market in China, increasing number of electronic components distributors participating in the competition. The current Chinese market comprises of large international distributors and a great amount of domestic enterprises. To survive and achieve growth in the fierce competition, many distributors adopt a low profit margin strategy to win customers. Moreover, as the competition among Downstream Manufacturers is also escalating, sales prices of end products have been decreasing, which in turn leaves thinner margin for electronic components distributors.

Fast Changing Demands for Electronic Components

Electronic components manufacturing is in the technology field that is evolving rapidly. Driven by the demands for electronic products with new and advanced functionality, the electronic components are normally with short life cycles. Electronic components distributors therefore are required to be able to accurately analyze and identify the market demands and adapt their product mix timely and accordingly for demand changes. It could therefore be a major challenge for distributors to succeed in a long run.

Competitive Landscape of Electronic Components Distribution Industry

Key Success Factors for Electronic Components Distributors

Generally, there are several key successful factors that greatly enhance a player's competitiveness.

Firstly, having a qualified, competitive supplier with a large product portfolio is very helpful in business. With continuous development of technology, electronic components are being constantly updated and upgraded. Only being supplied with qualified and the latest products that meet the shifting market demand can the distributors become more competitive when faced with risks brought by market changes.

Secondly, sufficient demand in the downstream market and stable customer relationship especially with large Downstream Manufacturers can help to compete in the market. It has been justified that in the coming years, the downstream market is estimated to grow faster driven by surging sales of mobile devices, future wide application of 5G mobile technology, etc. A stable relationship with customers help to ensure the volume of orders in fierce competition, especially for those major electronic products manufacturers, they can constantly place orders of large volume through distributors.

Lastly, distributors should be forward-looking in this fast changing market. Distributors should always cater for the latest market demand so as to seize the latest opportunities of growth when faced with most rapid market changes.

The competition is quite fierce, but some companies with these competitive advantages will grow faster than industry average when competition eliminates underperformed distributors. Therefore, the market concentration is estimated to grow in the future.

Competitive Landscape Overview in Mainland China

Nowadays, both international distributors and domestic distributors compete fiercely in mainland China with more similar business models.

In terms of market competition, in the past, international players were mainly responsible for procurement of electronic components for international manufacturers of end electronics products overseas. However, currently because of rapid development of China's electronics manufacturing industry, international distributors are also devoted to gaining more share from Chinese manufacturers by competing with mainland China distributors.

In terms of business models, international distributors were usually market driven in the past, which always kept a large inventory of various product lines to give timely support to customers. While domestic companies including players from Hong Kong and Taiwan, were mostly technology driven distributors with more focused product lines and more technology support for local manufacturers.

In recent years, the two kinds of business models are further integrated. Market driven distributors are seeking for more technology support, and technology driven ones are seeking for more product lines and timely delivery, which results in fierce competition between international and domestic distributors in market of mainland China.

Generally, the electronic components distribution market is quite fragmented in mainland China. The market share of top 10 players is less than 5% of the total. Comtech, the biggest local distributor group, only has less than 1% of market share. In the future, the market concentration level is expected to increase with more merge and acquisition activities between big distributor groups and SMEs. Big distributors have been growing quite large and more competitive. Revenue of quite a few big distributor groups have been beyond HKD1.1 billion, because these relatively big distributors were usually established in 1990s-2000s, when the manufacturing of electronics in China entered into a period of rapid development, taking the first mover advantage. In addition, these large scaled players usually distribute for big international semiconductor manufacturers, and their customers are usually large famous OEM or EMS companies and blue chip manufacturers. The well established relationship between large distributor groups and large Upstream Manufacturers or Downstream Manufacturers exclude those SMEs to get substantially profitable and large quantity orders. Also, big distributors have built online channels to reach more medium and small orders. The advantages of online platform is transparency of price and channel further strengthens the pressure for smaller sized distributors to compete for medium and small orders. As a result, smaller distributors will more easily get involved into price war. Therefore, these less competitive SMEs, when faced with financial pressure will be easily integrated into big distributor group by merge & acquisition activities. As a result, the concentration level is expected to rise in the future.

Competitive Landscape Overview in Hong Kong

Generally, the electronic components distribution market in Hong Kong is not concentrated. According to Hong Kong Census and Statistics Department, there are around 5,520 companies involved in Hong Kong's export business of electronic components. The main reason is that Hong Kong is an important trading hub for electronic parts and components in Asia –Pacific because of the low tax rate as a free port. Many items from the US, Europe, Japan, Taiwan, and South Korea are re-exported via Hong Kong to the Chinese mainland, and vice versa. A number of multinational manufacturers of parts and components have set up their regional offices in Hong Kong, engaging in sales, distribution and sourcing activities in the region.

Mainland China is the main competition market for Hong Kong distributors. Firstly, large amount of electronic components are exported to mainland China through Hong Kong distributors. Hong Kong's electronics industry is the largest merchandise export earner of the territory, accounting for 64% of Hong Kong's total exports in 2015. Parts and components constitute about three quarters of Hong Kong's electronics exports, the majority of which are re-exported to the mainland China for outward processing production. Secondly, many distributors from Hong Kong even set up sales offices in mainland China, because mainland China has a very large electronics manufacturing market with approximately 3,000 blue-chip manufacturers and approximately 3.2 million medium and small manufacturers. In contrast, with the increasing labor costs in Hong Kong, many Downstream Manufacturers in Hong Kong have moved their factories to mainland China to reduce the cost, which helps to increase the demand for distribution in mainland China. In other words, as a main destination of export and office establishment for Hong Kong electronics distributors, mainland China has been a primary market for Hong Kong distributors. Therefore, the market drivers and trends in mainland China market will affect the performance of the Hong Kong market participants.

Ranking of Key Market Players

In terms of total revenue in 2016, the following table illustrates the ranking of electronic components distributors in mainland China and Hong Kong.

Revenue and Market Share of Players in Hong Kong and Mainland China in the Electronics Components Distribution Market, 2016

Rank	Company Name	Revenue (HKD Billion)	Market Share
1	Company A	14.4	0.64%
2	Company B	11.4	0.50%
3	Company C	10.3	0.46%
4	Company D	8.4	0.37%
5	Company E	6.7	0.30%
6	Company F	6.5	0.29%
7	Company G	6.3	0.28%
8	Company H	6.1	0.27%
9	Company I	5.6	0.25%
10	Company J	5.4	0.24%
11	Company K	5.2	0.23%
12	Company L	5.0	0.22%
13	Company M	4.7	0.20%
14	Company N	3.6	0.16%
15	Company O	2.2	0.10%
16	Company P	1.8	0.08%
17	Company Q	1.8	0.08%
18	Company R	1.8	0.08%
19	Our Group	1.7	0.08%
20	Company S	1.4	0.06%

Source: Frost & Sullivan

Note:

The exchange rate is RMB1=HKD1.1164 at 31 December 2016, according to Oanda

Company A is an electronic components distributor established in 1995, headquartered in Shenzhen.

Company B is an electronic components distributor established in 1984, headquartered in Shenzhen.

Company C is an electronic components distributor established in 1984, headquartered in Hong Kong.

Company D is an electronic components distributor established in 1999, headquartered in Hong Kong.

Company E is an electronic components distributor established in 2001, headquartered in Shenzhen.

Company F is an electronic components distributor established in 2000, headquartered in Shenzhen.

Company G is an electronic components distributor established in 1979, headquartered in Shenzhen.

Company H is an electronic components distributor established in 1998, headquartered in Hong Kong.

Company I is an electronic components distributor established in 2009, headquartered in Shenzhen.

Company J is an electronic components distributor established in 2000, headquartered in Xiamen.

Company K is an electronic components distributor established in 2005, headquartered in Hong Kong.

Company L is an electronic components distributor established in 1996, headquartered in Shenzhen.

Company M is an electronic components distributor established in 2001, headquartered in Shenzhen.

Company N is an electronic components distributor established in 1981, headquartered in Hong Kong.

Company O is an electronic components distributor established in 2000, headquartered in Shenzhen.

Company P is an electronic components distributor established in 2000, headquartered in Hong Kong.

Company Q is an electronic components distributor established in 2000, headquartered in Shanghai.

Company R is an electronic components distributor established in 2001, headquartered in Wuhan.

Company S is an electronic components distributor established in 2001, headquartered in Hong Kong.

The suppliers listed above are just some representative examples picked from official websites and do not refer to the key suppliers that mainly contribute to the revenue growth of the distributors.

The public companies of these distributors mostly disclose financial performance of the whole group, but do not narrow down the disclosure to specific product segments, while private companies mostly do not disclose financial performance.

Revenue and Gross Profit of Public Companies Among Top 20 Competitors

HKD Billion

Company Name	2016 Revenue	2015 Revenue	Revenue Growth Rate	2016 Gross Profit	2015 Gross Profit	Gross Profit Growth Rate
Company A	14.4	11.3	27.4%	1.19	0.91	30.8%
Company C	10.3	11.3	–8.8%	0.48	0.43	11.6%
Company K	5.2	3.8	36.8%	0.23	0.17	35.3%
Company M	4.7	2.1	123.8%	0.50	0.22	127.3%
Company N	3.6	3.4	5.9%	0.32	0.31	3.2%
Company P	1.8	1.31	37.4%	0.07	0.06	16.7%
Company Q	1.8	1.4	28.6%	0.18	0.16	12.5%
Company R	1.8	1.2	50.0%	0.19	0.16	18.8%

Note:

The exchange rate is RMB1=HKD1.1164 at 31 December 2016, according to Oanda

The exchange rate is RMB1=HKD 1.1936 at 31 December 2015, according to Onada

The revenue refers to the total revenue of electronic components distribution business of the group, including all product lines, such as memory, sensors, connectors, processors and etc.

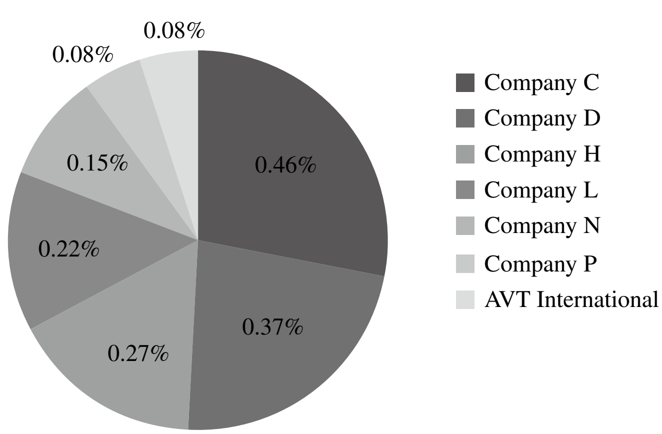
Distributors from Hong Kong play quite an important role in electronics distribution market. Among the domestic top twenty distributor groups, there are eight groups from Hong Kong. The main reason behind is that China relies heavily imports of IC, and especially via Hong Kong as it will enjoy lower tax rate and simpler procedures, which help distributors to reduce the procurement cost. That is where strong competitive advantages lies for Hong Kong distributors.

Revenue and Market Share of Players in Hong Kong in the Electronics Components Distribution Market, 2016

Rank	Competitor Name	Revenue (HKD Billion)	Market Share
1	Company C	10.3	0.46%
2	Company D	8.4	0.37%
3	Company H	6.1	0.27%
4	Company L	5.2	0.22%
5	Company N	3.6	0.16%
6	Company P	1.8	0.08%
7	Our Group	1.7	0.08%

Source: Frost & Sullivan

Market Share of Top 7 Hong Kong Players by Revenue, 2016



Source: Frost & Sullivan

Market Entry Barriers

First Mover Advantage

First mover advantage is a threat for new comers. As existing big distributors have already built very close relationships with branded suppliers and customers, it will be difficult for newcomers to compete for big orders with authorized big distributors. What's more, online platform built by big distributors with mature logistics system will further threat the new comers and existing small distributors. Faced with pressure from these big distributors, both existing small distributors and newcomers will more easily get involved into fierce price war to compete for medium and small orders.

Significant Capital Investment

Significant capital investment is necessary for market players of the electronic component distributing market. To remain competitive in the market, electronic component distributors generally need to retain high level of working capital to guarantee the smooth business operation. Typically electronic components distributors need capital for the early procurement of Upstream Manufacturer's products. At the same time, there is an industry norm that distributors always offer long credit period for downstream customers. Moreover, it is costly to build an engineering team to provide research and development and technological support. In order to provide better services to downstream customers, distributors are expected to propose a series of electronic components device application solutions, which needs capital investment in research and development. In the PRC and Hong Kong electronic components distribution industry, it is common practice that distributors sell products to their customers on credit. Normally, the receivable days with customers are longer than the payable days with Upstream manufacturers, especially under the circumstance that the competition of electronic component distribution market is increasingly fierce and distributors ease the credit terms to acquire or retain customers. As a result, during a prolonged period of revenue growth, with trade receivables piling up while payables are due earlier, electronic component distributors' gearing ratio, quick ratio and current ratio will deteriorate accordingly. Similarly, as the trade receivable turnover days mismatch payable turnover days, distributors with prolonged revenue growth will normally have increasing pressure on operating cash flows.

Demand for Skilled Staff

Companies lacking skilled staff are difficult to access electronics component distribution industry, and one of the competitive edges of electronic components distributors is technical support. To provide technical support, only skilled technical staff can understand the product performance characteristics and application design. Especially in the project design and high-end products market, customers have higher requirements for technical support, where distributors are expected to provide professional technical design and solutions. Therefore, skilled staff capable of providing technical support is quite important for distributors.

OVERVIEW

Our business operations are subject to the laws and regulations of Hong Kong and the PRC. Below is a summary of the laws and regulations which are material to our Group:

HONG KONG LAWS AND REGULATIONS

There are no specific statutory requirements for our Group to obtain any licences for carrying out our businesses in Hong Kong other than the business registration certificate under the Business Registration Ordinance. Below is a summary of the laws and regulations in Hong Kong which are material to our Group:

Supply of goods

The sales of goods by our Group in Hong Kong is regulated by the Sales of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) ("**SOGO**").

Section 15 of SOGO provides that, in a contract for the sale of goods by description, there is an implied condition that the goods shall correspond with the description.

Section 16 of SOGO provides that where a seller sells goods in the course of a business, there is an implied condition that the goods supplied under the contract are of merchantable quality, except that there is no such condition (i) as regards to defects specifically drawn to the buyer's attention before the contract is made; or (ii) if the buyer examines the goods before the contract is made, as regards defects which that examination ought to reveal; or (iii) if the contract is a contract by sample, as regards defects which would have been apparent on a reasonable examination of the sample.

Supply of Services

The supply of services by our Group in Hong Kong is regulated by the Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong) ("**SOSO**").

Section 5 of SOSO provides that in a contract for the supply of service where the supplier is acting in the course of a business, there is an implied term that the supplier will carry out the service with reasonable care and skill.

Section 6 of the SOSO provides that, where under a contract for the supply of a service where the supplier is acting in the course of a business, the time for the service to be carried out is not fixed by the contract, is not left to be fixed in a manner agreed by the contract or is not determined by the course of dealing between the parties, there is an implied term that the supplier will carry out the service within a reasonable time.

Control of exemption clauses

The contracts that we enter into with our customers which are governed by the Laws of Hong Kong are subject to the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong) (the "**CECO**") which aims to limit the extent to which civil liability for breach of contract, or for negligence or other breach of duty, can be avoided by means of contract terms and otherwise.

Under section 7 of CECO, a person cannot by reference to any contract term or to a notice given to persons generally or to particular persons exclude or restrict his liability for death or personal injury resulting from negligence. Further, in the case of other loss or damage, a person cannot so exclude or restrict his liability for negligence except in so far as the term or notice satisfies the requirement of reasonableness.

Business registration

The Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) requires every entity which carries on a business in Hong Kong to apply for business registration. We held valid business registration certificates throughout the Track Record Period and as at the Latest Practicable Date.

Taxation

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) imposes taxes on property, earnings and profits in Hong Kong. The Inland Revenue Ordinance provides, among others, that persons, which include corporations, partnerships, trustees and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business.

Our profits arising in or derived from Hong Kong are subject to the profits tax regime under the Inland Revenue Ordinance. As at the Latest Practicable Date, the standard profits tax rate for corporations in Hong Kong is 16.5%.

Mandatory Provident Fund ("MPF")

Under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) ("**MPFSO**"), except for exempt persons, employers (other than employers in the construction industry and catering industry) should enrol their regular employees (i.e. employees who are at least 18 but under 65 years of age and employed for 60 days or more) in a MPF scheme, which is an employment-based retirement protection system, within the first 60 days of employment.

Pursuant to the MPFSO, employers and employees (other than those employees whose monthly relevant income is less than HK$7,100) are each required to make a contribution of 5% of the employees' relevant income (including any wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance expressed in monetary terms) to the MPF scheme, subject to a maximum contribution of HK$1,500.

Minimum Wage

The Minimum Wage Ordinance establishes a statutory minimum wage regime to provide for a minimum wage at an hourly rate for employees employed under a contract of employment under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), save for stipulated exceptions.

The statutory minimum wage is currently set at HK$34.5 per hour.

PRC LAWS AND REGULATIONS

Our operations in the PRC is subject to PRC laws and regulations relating to the electronics industry and technological development industry. This section sets forth a summary of the principal laws in the PRC and regulations that affect our business activities in China and the industries in which we operate.

Establishment, Operation and Management of a Wholly Foreign-Owned Enterprise (WFOE)

Company Law of the PRC (中華人民共和國公司法)

According to The "Company Law of the PRC" passed on 29 December 1993 and amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013, which is the basic law that regulates limited liability companies and joint stock companies established within the PRC. The matters relating to WFOEs which are not covered in the "Law of the PRC on Wholly Foreign-owned Enterprise" shall be applicable to the "Company Law of the PRC".

Law of the PRC on Wholly Foreign-owned Enterprises and its detailed rules for its implemention (中華人民共和國外資企業法及其實施細則)

WFOEs should abide by the "Law of the PRC on Wholly Foreign-owned Enterprise" passed on 12 April 1986 and amended 31 October 2000, 3 September 2016 and the "Detailed Rules for the Implementation of the Law of the PRC on Wholly Foreign-owned Enterprises" promulgated on 28 October 1990, amended on 12 April 2001 and 19 February 2014 in order to engage in business activities within the PRC. The Law and its implementing rules regulate the wholly foreign owned enterprises from establishment procedure to form of organization even the cancellation.

Catalogue of Industries for Guiding Foreign Investment (外商投資產業指導目錄)

According to The "Catalogue of Industries for Guiding Foreign Investment" promulgated on the 28 June 1995 and revised respectively on 29 December 1997, 4 March 2002, 30 November 2004, 31 October 2007, 24 December 2011 and 10 March 2015 as approved by the National Development and Reform Commission and the Ministry of Commerce (the "**Catalogue**"). The Catalogue is divided into three sections as "Catalogue of Encouraged Industries for foreign investment", "Catalogue of Restricted Industries for Foreign Investment" and "Catalogue of Prohibited Industries for Foreign Investment". Companies are governed by the Catalogue in force at the time of their establishment. According to the "Catalogue of Industries for Guiding Foreign Investment" currently in force which was revised on 10 March 2015, electronic products development specifically fall under Item 253 "Software product development and production" of "Catalogue of Encouraged Industries for Foreign Investment".

Laws and Regulations on Product Quality

Product Quality Law of the PRC (中華人民共和國產品質量法)

According to "The Product Quality Law of the PRC" passed on the 22 February 1993 and amended on 8 July 2000, 27 August 2009, consumers or other victims who suffer personal injury or property losses due to product defects may demand compensation from the producer as well as the seller. Where the responsibility for product defects lies with the producer, the seller shall, after settling compensation, have the right to recover such compensation from the producer, and vice versa.

Measures for the Administration of Restricted Use of the Hazardous Substances Contained in Electrical and Electronic Products (電器電子產品有害物質限制使用管理辦法)

According to the "Measures for the Administration of the Restricted use of the Hazardous Substances Contained in Electrical and Electronic Products" promulgated on 6 January 2016, the sellers are prohibited from selling the electrical and electronic products which violate the national and industrial standards of Restricted Use of the Hazardous Substances contained in Electrical and Electronic Products.

Laws and Regulations on Labour Contracts and Employee Benefits

Labour Contract Law of the PRC (中華人民共和國勞動合同法)

According to the Labour Contract Law of the PRC passed on 29 June 2007 and amended on 28 December 2012, employers and employees shall enter into employment contracts to establish their employment relationship. When hiring employees, employers are required to inform the employees about their job duties, working conditions, working places, occupational hazards, production safety conditions, remuneration and other matters which the employees may be concerned with. Employers and employees shall fulfill their respective obligations in accordance with the requirements of the employment contracts, and employers shall pay remuneration to employees on time and in full in accordance with the commitments and provisions set forth in the contracts and strictly adhere to the working quota standards, and are prohibited from compelling employees to work overtime directly or indirectly. At the time of terminating an employment contract, the employers shall provide evidence for such termination.

Social Insurance Law of the PRC (中華人民共和國社會保險法)

According to the "Social Insurance Law of the PRC" passed on 28 October 2010 and effective from 1 July 2011, employees shall participate in basic pension insurance, basic medical insurance, occupational injury insurance, unemployment insurance schemes, maternity insurance and other social insurance. Basic pension, medical insurance and unemployment insurance contributions shall be paid by both employers and employees. Employees shall participate in occupational injury insurance and maternity insurance schemes and such contributions shall be paid by employers rather than employees.

According to the "Interim Regulations on the Collection and Payment of Social Insurance Premiums" (社會保險費徵繳暫行條例) passed on 22 January 1999 and the "Interim Measures on the Administration of the Registration of Social Insurance Registration" (社會保險登記管理暫行辦法) promulgated on 19 March 1999, an employer shall register with the local social insurance authority in accordance with the provisions of the Social Insurance Law of the PRC and make contributions in full and on time.

Regulation of Insurance for Employment Injury (工傷保險條例)

According to the "Regulations on Work-related Injury Insurance" promulgated on 27 April 2003 and amended on 20 December 2010, PRC enterprises are obligated to contribute to the work-related injury insurance for their employees.

Regulation on Management of Housing Provident Fund (住房公積金管理條例)

The "Regulation on Management of Housing Provident Fund" promulgated on 3 April 1999 and amended on 24 March 2002, are applicable to enterprises with foreign investment. Enterprises are required to pay housing provident fund for their employees. Enterprises shall register with the relevant housing provident fund management center within 30 days from the date when they decide to employ an employee, and open housing provident fund accounts with designated banks on behalf of their employees within 20 days from the date of the registration with the verified documents of the housing provident fund management center, and contribute to the housing provident fund at a rate of not less than 5% of the employee's average monthly salary in the previous year.

Law relating to imports and exports of goods

Customs Law of the PRC (中華人民共和國海關法)

According to the "Customs Law of the PRC" passed on 22 January 1987 and subsequently amended on 8 July 2000, 29 June 2013, 28 December 2013 and 7 November 2016, the consignee or consignor of imported or exported goods shall complete the declaration formalities by registering at customs according to law. Unless otherwise provided for, all import and export goods must be declared and duties on them paid by their sender or receiver (the "consignor") or by representatives entrusted by the sender or receiver and approved by and registered with the Customs (the "consignee"). Pursuant to the "Provisions of the Customs of the PRC on the Administration of Registration of Customs Declaration 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 on 13 March 2014, the consignee or consignor of imported or exported goods may complete their own declaration at any ports or any location with centralized customs operation in the PRC after completing the registration at customs.

Law of the PRC on Import and Export Commodity Inspection (中華人民共和國進出口商品檢驗法)

According to the "Law of the PRC on Import and Export Commodity Inspection" promulgated on 21 February 1989 and subsequently amended on 28 April 2002 and 29 June 2013 and its implementation regulations, the consignee or consignor of imported or exported goods may complete the clearance declaration with the customs themselves or entrust commodity clearance agency firms to complete the declaration procedures. The government has adopted a filing and registration administration system for enterprises completing the declaration themselves. The consignee or consignor of imported or exported goods shall file with the relevant entry-exit inspection and quarantine authority according to law when handling the customs clearance procedures.

Foreign Trade Law of the PRC (中華人民共和國對外貿易法)

According to the "Foreign Trade Law of the PRC" passed on 12 May 1994 and amended on 6 April 2004 and 7 November 2016, enterprises that engage in foreign trade are required to register with competent department of foreign trade under the State Council or its authorized institution. The PRC customs may refuse to handle the formalities for declaration and clearance of goods imported or exported by a foreign trade operator that fails to complete the record-filing registration formalities.

Laws relating to foreign exchange

Regulation of the PRC on the Foreign Exchange Administration (中華人民共和國外滙管理條例)

According to the "Regulation of the PRC on the Foreign Exchange Administration" passed by the State Council on 29 January 1996 and amended on 14 January 1997 and 5 August 2008, international payment and transfer of foreign exchange under current accounts shall not be restricted. The foreign exchange income of a domestic institution or individual may be transferred back into the PRC or deposited overseas. Payment and receipt of foreign exchange under current accounts shall be based on true and legal transaction. Foreign exchange and foreign exchange settlement funds under capital account shall be used for the purposes approved by the competent authority and foreign exchange administrative department. Foreign institutions or individuals conducting direct investment in the PRC shall register with the foreign exchange administrative department after obtaining the approval from the competent authority. Domestic institutions or individuals conducting direct investment overseas or issuing or trading marketable securities or derivative products overseas shall complete the registration according to the requirements of the foreign exchange administration under the State Council.

Law of the PRC on Wholly Foreign-owned Enterprises (中華人民共和國外資企業法)

According to the "Wholly Foreign-owned Enterprise Law of the PRC" passed on 12 April 1986 and revised on 31 October 2000, 3 September 2016, Wholly Foreign-owned Enterprise (WFOEs) shall open bank accounts with the Bank of China or a bank designated by the State Administration of Foreign Exchange (the "SAFE"). Foreign exchange income of WFOEs shall be deposited to the foreign exchange account at the bank it has opened the account with and foreign exchange expenses shall be paid by the foreign exchange account. Foreign investors may remit abroad their legitimate profit, other lawful incomes and liquidated funds received from WFOEs.

Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Administration on Overseas Investment and Financing and the round-tripping Investment Made by Domestic Residents through Special Purpose Companies, the No. 37 [2014] Notice of the SAFE (國家外滙管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) 滙發[2014] (第37號文)

According to the No. 37 Notice [2014] of the SAFE (滙發[2014]) promulgated on 4 July 2014 and effective from the same date, those domestic residents (including domestic institution and domestic resident individuals) that have established or indirectly control a special purpose company for investment or financing purposes with the assets or interests within or outside China they legally hold, should, prior to contributing capital, carry out the foreign exchange registration for foreign investment with the SAFE. Domestic residents which conduct investment in possession of legally owned domestic assets or rights, should register at their local branch of the SAFE or at the branch of the SAFE of the area in which they hold their domestic enterprise assets or rights; those domestic residents which conduct overseas investment in possession of legally owned overseas assets or rights, should register at their local branch of the SAFE or at the branch of the SAFE of the area in which they are registered. If there is any change in the basic information of a registered overseas special purpose company such as changes in the individual domestic resident shareholders, the name or the permitted expiration date of the operations, or if there are any significant events such as a domestic resident individual increasing investment, decreasing investment, transferring shares, or any substitution, merger, acquisition or spin-off, then the overseas investment foreign exchange change of particulars registration procedures should be promptly carried out with the SAFE.

Laws and Regulations on Taxation

Enterprise Income Tax Law of the PRC and its implementation regulation (中華人民共和國企業所得稅法及其實施條例)

According to the "Enterprise Income Tax Law of the PRC" (the "**EIT Law**") passed on 16 March 2007 and effective from 1 January 2008 and amended on 24 February 2017, the "Regulation on the Implementation of Enterprise Income Tax Law", (中華人民共和國企業所得稅法實施條例) passed on 28 November 2007 promulgated on 6 December 2007 and effective from 1 January 2008, the income tax for both resident and non-resident enterprises is at the same rate of 25%. Furthermore, resident enterprises, referring to enterprises that are set up in the PRC, or set up in accordance with the law of a foreign country (region) but with its actual administrative institution in the PRC, shall pay enterprise income tax originating from both within and outside the PRC. While non-resident enterprises that have set up institutions or premises in the PRC shall pay enterprise income tax in relation to the income originating from the PRC and obtained by their institutions or establishments, and the income incurred outside the PRC but there is an actual relationship with the institutions or set up by such enterprises. Where non-resident enterprises that have not set up institutions or establishments in the PRC, or where institutions or establishments are set up but there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall pay enterprise income tax in relation to the income originating from the PRC.

Interim Regulation of the PRC on Value-Added Tax and the Detailed Rules for its implementation (中華人民共和國增值稅暫行條例及其實施細則)

According to the "Interim Regulations of the PRC on Value-Added Tax" promulgated on the 13 December 1993 and amended on 5 November 2008, 6 February 2016 and the Detailed Rules for its Implementation, all entities or individuals in the PRC engaging in the sale of goods, the provision of processing services, repairs and replacement services, and the importation of goods are required to pay value-added tax ("**VAT**"). Taxpayers, who sell or import goods or provide processing services, repairs and replacement services, are subject to 17% VAT, unless otherwise provided.

Notice of the State Council on Extending the Urban Maintenance and Construction Tax and Educational Surcharges from Chinese to Foreign-funded Enterprises and Citizens (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知)

According to the "Notice of the State Council on Extending the Urban Maintenance and Construction Tax and Educational Surcharges from Chinese to Foreign-funded Enterprises and Citizens" effective from 1 December 2010, the "Interim Regulations of the PRC on Urban Maintenance and Construction Tax" (中華人民共和國城市維護建設稅暫行條例) and the "Interim Provisions on the Collection of Educational Surcharges" (徵收教育費附加的暫行規定) shall apply foreign-invested enterprises, foreign enterprises and individuals of foreign nationalities.

Payment of urban maintenance and construction tax shall be based on the consumption tax, value-added tax and business tax which a taxpayer actually pays and shall be made simultaneously when the latter are paid. Furthermore, the rates of urban maintenance and construction tax shall be 7%, 5% and 1% for a taxpayer in urban areas, in countries or township and in areas other than urban areas, countries or township respectively.

All entities and individuals who pay consumption tax, value-added tax and business tax shall also be required to pay educational surcharges in accordance with these regulations. The educational surcharges is 3% of the amount of value-added tax, business tax or consumption tax actually paid by each entity or individual, and the educational surcharges shall be paid simultaneously with value-added tax, business tax or consumption tax.

Notice of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Non-resident Enterprises' Equity Transfer Income, the No. 698 [2009] of the State Administration of Taxation Notice (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知) 國稅函 [2009] (第698號文)

According to the "Notice of the State Administration of Taxation on Strengthening the Administration of Enterprise Income Tax on Non-resident Enterprises' Equity Transfer Income" (the No. 698 Notice) promulgated on 10 December 2009, and the "Announcement No. 7 [2015] of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on the Indirect Transfers of Assets by Non-Resident Enterprises" (國家稅務總局公告2015年第7號 — 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 No.7 Circular), which was partial annulment the No. 698 Notice and released on 3 February 2015, where a non-resident enterprise indirectly transfers equities or other assets of a PRC resident enterprise by implementing arrangements that are not for bona fide commercial purposes to avoid its obligation to pay enterprise income tax, such an indirect transfer shall, in accordance with Article 47 of the EIT Law, be recognized by the competent PRC tax authorities as a direct transfer of equities or other assets of the PRC resident enterprise.

OVERVIEW

Mr. Lee, the founder of our Group, began his career in the electronic components industry since 1981 when he worked as sales engineer and marketing engineer in the sales and marketing department of Motorola Semiconductors Hong Kong Limited. Leveraging on his experience accumulated in Motorola Semiconductors Hong Kong Limited, Mr. Lee established Nicegoal Investments in 1987 to carry out the business of manufacturing personal computer motherboard and trading personal computer components and accessories. Having accumulated experience and business network in the manufacturing and trading of personal computer and related electronic components products business, Mr. Lee established AVTE in March 1993 to engage in the business of trading of electronic components.

Since May 2000, in order to focus on the management of Mr. Lee's family business in property investments, Mr. Lee and Ms. Lo gradually disposed of their shareholding interests in AVTE and they ceased to hold any shareholding interest in AVTE in July 2012. As at the Latest Practicable Date, AVTE was a subsidiary of CIL. Ms. Lo, the spouse of Mr. Lee, had been the executive director and the deputy chairman and acting chief executive officer of CIL from 19 April 2010 to 5 June 2013. As at the Latest Practicable Date, Ms. Lo Yuen Chung, the sister-in-law of Mr. Lee, was an executive director of CIL. As at the Latest Practicable Date, Mr. Lee and Ms. Lo in aggregate held approximately 0.13% of CIL's total issued share capital and it is the intention of Mr. Lee to sell his remaining interest in CIL before Listing.

In 2005, foreseeing the future opportunity and business potential of the electronic component market, Mr. Lee commenced electronic component trading business through our wholly-owned subsidiary, AVT International, with his personal savings. AVT International was incorporated in May 1992 but did not commence business until 2005. Our Group began with the trading of general electronic component products, including, DVD player components, OPU components, hard disks and main chips and had gradually developed our engineering team to provide technical support for our customers. With a view to capture the rising trend of the TMT industry in recent years, our Group has gradually focused on the distribution of digital storage products and general electronic components, along with the provision of our complimentary technical support for TMT manufacturers in the PRC and in Hong Kong.

Besides the relationship between Mr. Lee, AVT International and AVTE as mentioned above, on 25 November 2010, AVT International has entered into the Master Agreement with AVTE pursuant to which (1) AVT International has agreed to sell and AVTE has agreed to purchase certain products ordered by AVTE and procured by AVT International from its suppliers to which AVT International is an Authorised Distributor; and (2) AVT International has agreed to purchase and AVTE has agreed to sell certain products ordered by AVT International and supplied by AVTE to which AVTE is an Authorised Distributor, during the term of the Master Agreement on an order-by-order basis. The Master Agreement was terminated on 30 June 2015. For further details of the Master Agreement, please refer to the sections headed "Business – Suppliers and Procurement – Major Suppliers – AVTE" and "Business – Suppliers and Procurement – Overlapping of Major Suppliers and Customers" of this prospectus.

In 2016, leveraging on the network of Mr. Pai in the industry (one of the ultimate shareholders of Ascent Way, our non-wholly owned subsidiary established in 2016) and the business relationship between Mr. Pai and Supplier H (as referred to and defined in "Business – Major Suppliers"), the world's largest independent manufacturer of Memory products, our Group has established Ascent Way with Mr. Pai to explore business opportunities and establish business relationship with Supplier H. For further details of the business operation of Ascent Way, please refer to the section headed "Business – Business Model – Ascent Way" of this prospectus.

For further details of Mr. Lee's background and relevant industry experience, please refer to the section headed "Directors, Senior Management and Employees" of this prospectus.

MILESTONES

Year	Event
2005	AVT International commenced business and started trading of electronic components
2006	Became an approved supplier of a high power digital audio amplifier products
2008	Commenced provision of technical support by developing firmware for customers
	Establishment of Shenzhen Lisigao, our PRC subsidiary
2009	Commenced business with one of the world top 10 mobile phone manufacturers, which has become our sixth largest customer in FY2016
2012	Became an approved supplier of an EMS provider which is listed on the Taiwan Stock Exchange, London Stock Exchange and the NASDAQ, and is one of the world's 500 largest corporations selected by the Fortune Magazine in 2013. The Group sold approximately 2.9 million pieces of main chip for standard definition set-top box to this EMS provider, generating a revenue of approximately HK$56.0 million from this customer in the year ended 31 December 2012
2013	Became an approved supplier for a well-recognized wideband communication terminal products manufacturer (i.e. Customer B1 and Customer B2 in the section headed "Business – Customers" in this prospectus)
2016	Establishment of our non-wholly owned subsidiary, Ascent Way, which is principally engaged in the sales of electronic components
	Became an Authorised Distributor of a well recognised Memory products manufacturer from the USA
	Commenced sales of biometric sensors and became an Authorised Distributor for a biometric sensor vendor from the PRC
2017	Commenced business with leading circuit board assembly (PCBA) makers in the PRC, a company listed on the Shenzhen Stock Exchange

CORPORATE STRUCTURE AND CORPORATE DEVELOPMENT

Our Company

Our Company was incorporated on 4 July 2012 in the Cayman Islands under the Companies Law as an exempted company with limited liability. As at the date of incorporation, the authorised share capital of our Company was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each.

On the same day of the incorporation, one nil-paid Share was issued and allotted to the initial subscriber, which was then transferred to Best Sheen on the same date.

Upon completion of the Reorganisation, our Company became the holding company of our Group. Our Company is an investment holding company and does not carry on any business.

Apex Team

Apex Team was incorporated on 15 June 2009 in the BVI and was authorised to issue a maximum of 50,000 ordinary shares with no par value. On 9 July 2009, one share was allotted and issued to Ace Power.

Apex Team is an investment holding company of our Group and does not carry on any business.

I-Sky

I-Sky was incorporated on 12 June 2000 in Hong Kong with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1 each. On the date of its incorporation, two shares were allotted and issued to two company secretarial companies, namely, Gateway Secretarial Limited and Gateway Nominees Limited, respectively. On 15 November 2000, the two shares were transferred from Gateway Secretarial Limited and Gateway Nominees Limited to an Independent Third Party and Ms. Lo Yuen Chung, respectively. Ms. Lo Yuen Chung is the sister-in-law of Mr. Lee.

On 31 March 2004, the Independent Third Party and Ms. Lo Yuen Chung transferred their respective one share of I-Sky to Mr. Lee and Ms. Lo, respectively. Subsequently on 17 May 2016, Mr. Lee and Ms. Lo transferred one share and one share of I-Sky to Ace Power and Apex Team, respectively.

On 25 April 2017, Ace Power transferred one share of I-Sky to Apex Team at nominal consideration of HK$1 and upon completion of such transfer, I-Sky became a wholly-owned subsidiary of Apex Team.

I-Sky is an investment holding company of our Group, holding certain properties of our Group in Hong Kong.

AVT International

AVT International was incorporated on 7 May 1992 in Hong Kong with limited liability with an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.0 each at the time of incorporation with Realty Dragon Limited and Onglory Company Limited each subscribed for one share, together representing the then entire issued share capital of AVT International. On 23 July 1992, Realty Dragon Limited transferred the one share owned by it to Mr. Lee and Onglory Company Limited transferred the one share owned by it to Nicegoal Investments (which was then known as AVT Industrial Limited).

On 27 July 1992, the authorised share capital of AVT International was increased to HK$1,000,000 by the creation of 990,000 additional shares of HK$1.0 each. On the same date, AVT International allotted and issued 999,998 shares to Nicegoal Investments. After such allotment, Nicegoal Investments held an aggregate of 999,999 shares out of the 1,000,000 issued shares in AVT International while the remaining one share was still held by Mr. Lee. On 8 April 2004, Nicegoal Investments transferred all the shares of AVT International held by it to Mr. Lee. Nicegoal Investments had ceased to be a shareholder and Mr. Lee became the sole shareholder of AVT International before the business of our Group subsequently commenced in 2005.

On 30 November 2007, the authorised share capital of AVT International was increased to HK$2,000,000 by the creation of 1,000,000 additional shares of HK$1.0 each, which were all allotted to Mr. Lee. On 28 January 2010, Mr. Lee transferred all the issued shares in AVT International to Apex Team. On 21 March 2014, AVT International further allotted and issued 78,947 additional shares at the subscription price of HK$38.00 per share (which was determined based on the net asset value of AVT International as at 31 December 2013) to Mr. Lee, which was settled in full by way of capitalisation of a loan made by Mr. Lee to AVT International. On 20 January 2016, Mr. Lee transferred all the shares of AVT International held by him to Apex Team at nominal consideration. From then, Apex Team holds the entire issued share capital in AVT International.

AVT International is an operating subsidiary of our Group which is principally engaged in sales of electronic components.

Data Star

Data Star was incorporated on 5 January 2016 in the BVI and was authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US$1.0 each. On 12 April 2016, 51 shares of Data Star were allotted to Apex Team, 29 shares of Data Star were allotted to Kingsbury Investments Limited and 20 shares of Data Star were allotted to Mr. Pai, respectively.

On 28 April 2016, Kingsbury Investments Limited transferred its 29 shares of Data Star to Mr. CH Lee, son of Mr. Lee, who held on trust for Kingsbury Investments Limited. On 29 April 2016, the said trust arrangement was terminated and Mr. CH Lee became the legal and beneficial owner of the said 29 shares.

Up to 19 June 2016, Apex Team has advanced to Data Star in form of shareholder's loan of US$1,530,000 and Mr. Pai has advanced to Data Star in form of shareholder's loan of US$600,000.

On 23 November 2016, the maximum number of shares which Data Star was authorised to issue was increased to 3,000,000 ordinary shares of US$1 each.

On 19 June 2017, Mr. CH Lee transferred his 21 shares of Data Star to Apex Team and eight shares of Data Star to Mr. Pai, respectively. Upon completion of the said transfers, Data Star was owned as to 72 shares by Apex Team and 28 shares by Mr. Pai, representing 72% and 28% of the then entire issued share capital of Date Star respectively.

On 19 June 2017, (i) 1,583,928 shares of Data Star were allotted and issued to Apex Team by capitalising in full the aforementioned shareholder's loan owed by Data Star to our Group of US$1,530,000 and the cash consideration of US$53,928; and (ii) 615,972 shares of Data Star were allotted and issued to Mr. Pai by capitalising in full the aforementioned shareholder's loan owed by Data Star to Mr. Pai of US$600,000 and the cash consideration of US$15,972. Upon completion of the above share allotments, Data Star was owned as to 1,584,000 shares by Apex Team and 616,000 shares by Mr. Pai, representing 72% and 28% of the entire issued share capital of Date Star respectively.

Data Star is an investment holding company of our Group, holding Ascent Way, and does not carry on any business.

Mr. Pai has over 18 years of experience in the electronic components industry. Prior to investing in Ascent Way through Data Star, Mr. Pai worked for Supplier A with last position as head of sales for the Greater China, Japan and Korea regions. As confirmed by both Supplier A and Mr. Pai, Mr. Pai is not subject to any non-competition clause under his former employment contract with Supplier A. Further, as confirmed by Mr. Pai, he is a third party independent of and not connected with CIL and AVTE and has never been employed by CIL or AVTE and, save as disclosed, he has no other business relationship with Supplier A or Supplier H.

Ascent Way

Ascent Way was incorporated on 16 January 2016 in Hong Kong with issued share capital of HK$1 divided into one share of HK$1 each. On 18 January 2016, one share was allotted and issued to a company secretarial service company, GRL 16 Nominee Limited. On 13 April 2016, the one share issued was transferred to Data Star and Ascent Way was wholly owned by Data Star since then.

Ascent Way commenced business in June 2016 and is an operating subsidiary of our Group which is principally engaged in sales of electronic components supplied by Supplier H.

Shenzhen Lisigao

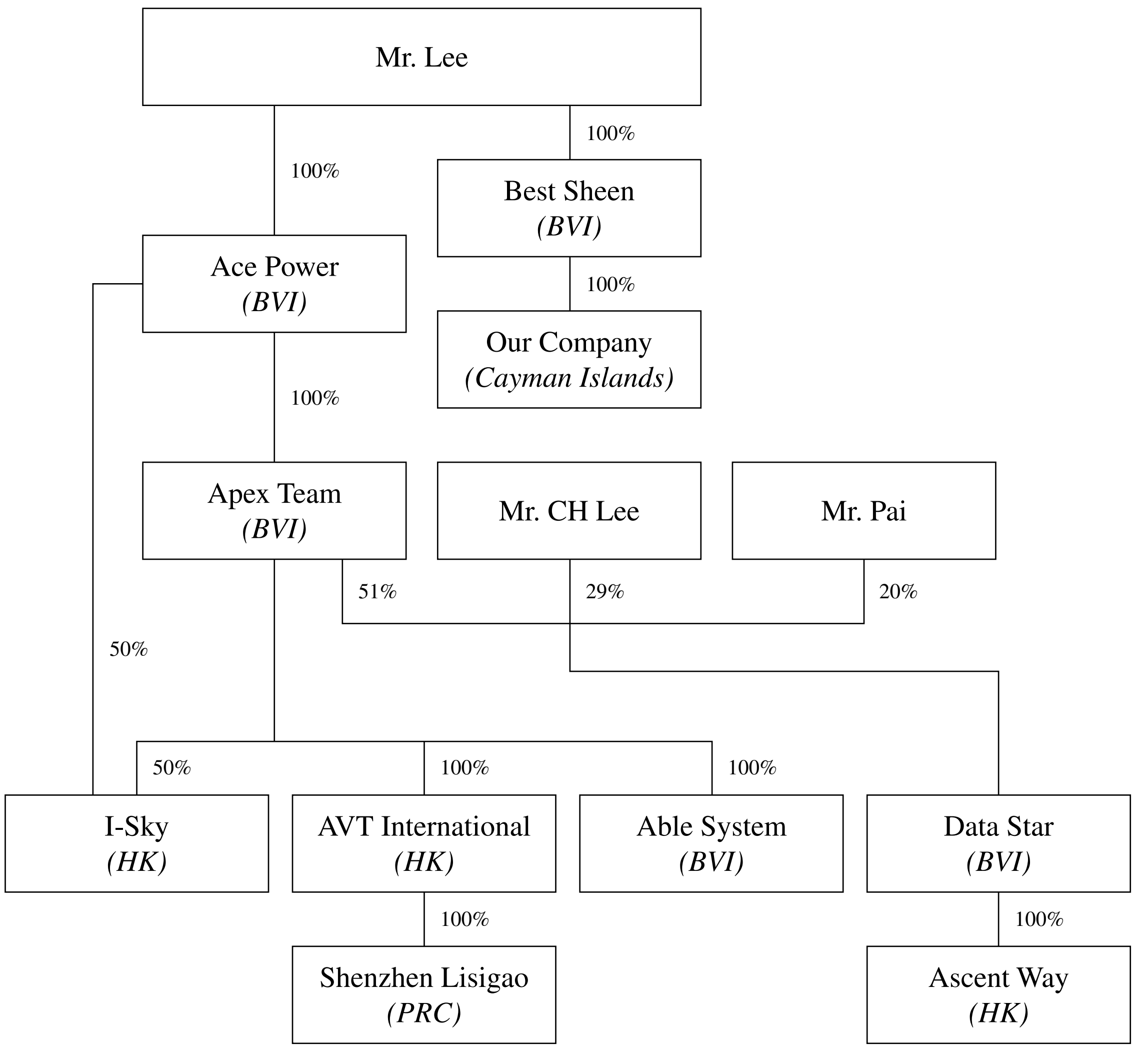
Shenzhen Lisigao was incorporated on 18 July 2008 in the PRC with registered capital of HK$1.0 million. Since the date of its incorporation and up to the Latest Practicable Date, Shenzhen Lisigao was wholly owned by AVT International.

Shenzhen Lisigao commenced business in June 2009 and is an operating subsidiary of our Group which is principally engaged in sales of electronic components in the PRC.

REORGANISATION

Corporate structure immediately prior to the Reorganisation

In preparation for the Listing, our Group underwent the Reorganisation. The following chart sets out our shareholding and corporate structure immediately prior to the Reorganisation:



Major Reorganisation steps

Step 1 – Transfer of share of I-Sky from Ace Power to Apex Team

On 25 April 2017, Ace Power transferred one share of I-Sky to Apex Team at nominal value of HK$1 and upon completion of such transfer, I-Sky became a wholly-owned subsidiary of Apex Team.

Step 2 – Transfer of shares of Data Star from Mr. CH Lee to Apex Team and Mr. Pai

On 19 June 2017, Mr. CH Lee transferred 21 shares of Data Star to Apex Team and eight shares of Data Star to Mr. Pai, in consideration of HK$2,182,996 and HK$831,618, respectively, which were determined based on the consolidated net assets value of Data Star as at 31 December 2016 and have been fully settled on 20 June 2017.

Upon completion of the above share transfers, Data Star is owned as to 72 shares by Apex Team and 28 shares by Mr. Pai, representing 72% and 28% of the entire issued share capital of Data Star respectively.

Step 3 – Allotment and issue of shares of Data Star to Apex Team and Mr. Pai

On 19 June 2017, 1,583,928 shares of Data Star were allotted and issued to Apex Team by capitalising in full the loan owed by Data Star to Apex Team of US$1,530,000 and the cash consideration of US$53,928; and 615,972 shares of Data Star were allotted and issued to Mr. Pai by capitalising in full the loan owed by Data Star to Mr. Pai of US$600,000 and the cash consideration of US$15,972.

Upon completion of the above share allotments, Data Star is owned as to 1,584,000 shares by Apex Team and 616,000 shares by Mr. Pai, representing 72% and 28% of the entire issued share capital of Data Star respectively.

Step 4 – Disposal of shares of Able System to Mr. Lee

On 19 June 2017, Apex Team transferred two shares of Able System to Mr. Lee at nominal value of US$2 and upon completion of such transfer, Able System became wholly-owned by Mr. Lee and ceased to be a subsidiary of Apex Team.

During the Track Record Period and up to the date of such transfer, Able System did not have any business. As at the date of such transfer, Able System did not own any assets nor had any liabilities.

Step 5 – Acquisition of Apex Team by our Company by way of share swap

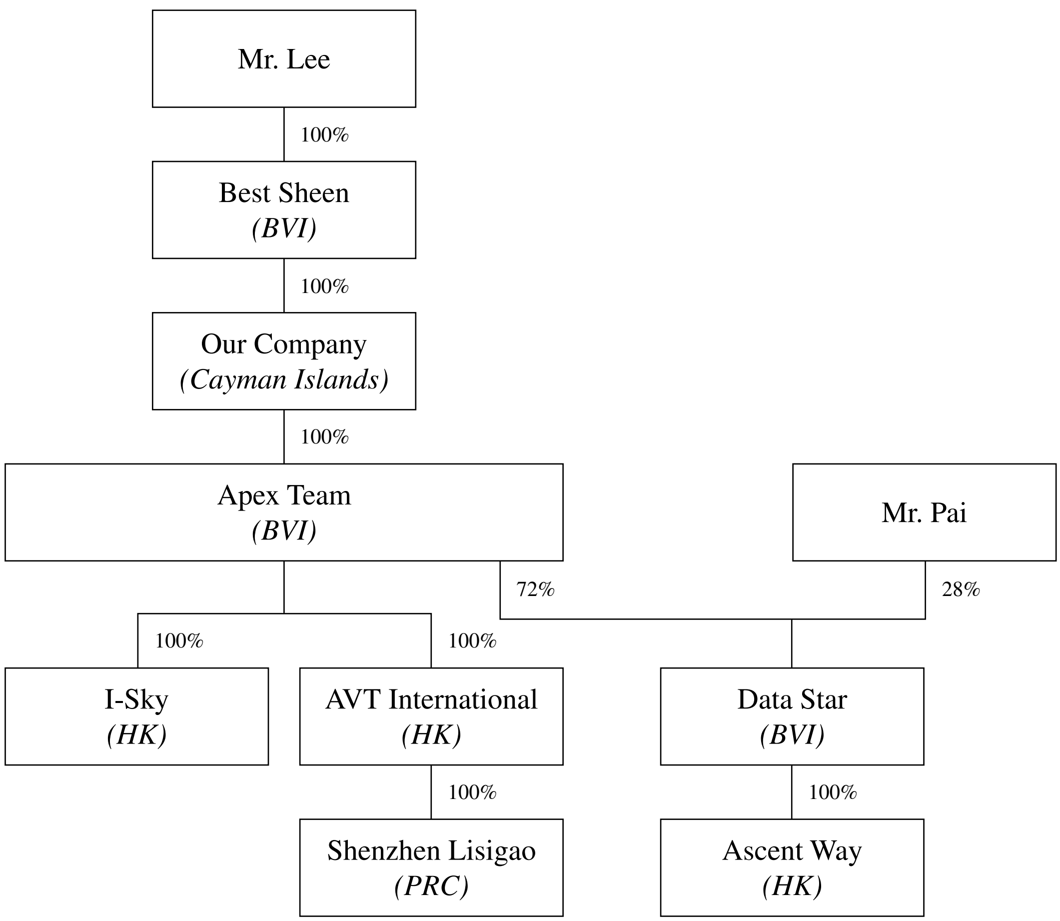
On 15 February 2018, Ace Power and our Company entered into a share swap agreement pursuant to which our Company acquired from Ace Power one share of Apex Team, representing the then entire issued share capital of Apex Team, in consideration and exchange for (a) the allotment and issue of 99 Shares to Best Sheen, all credited as fully paid; and (b) the crediting as fully paid at par the one nil paid Share held by Best Sheen (under the direction of Ace Power).

Upon completion of the above share swap, Ace Power ceased to be interested in the shares of Apex Team. Before such share swap, Ace Power was an investment holding company and did not carry on any business.

Upon completion of the above transfers, (i) Apex Team became a direct wholly-owned subsidiary of our Company; (ii) I-Sky, AVT International and Shenzhen Lisigao became indirectly wholly-owned subsidiaries of our Company; and (iii) Data Star and Ascent Way became indirectly non wholly-owned subsidiaries of our Company.

All of the abovementioned transfers have been properly, legally, irrevocably settled and completed.

The following chart sets out our shareholding and corporate structure as at the Latest Practicable Date, immediately before the Global Offering and the Capitalisation Issue:



CAPITALISATION ISSUE AND THE GLOBAL OFFERING

Capitalisation Issue

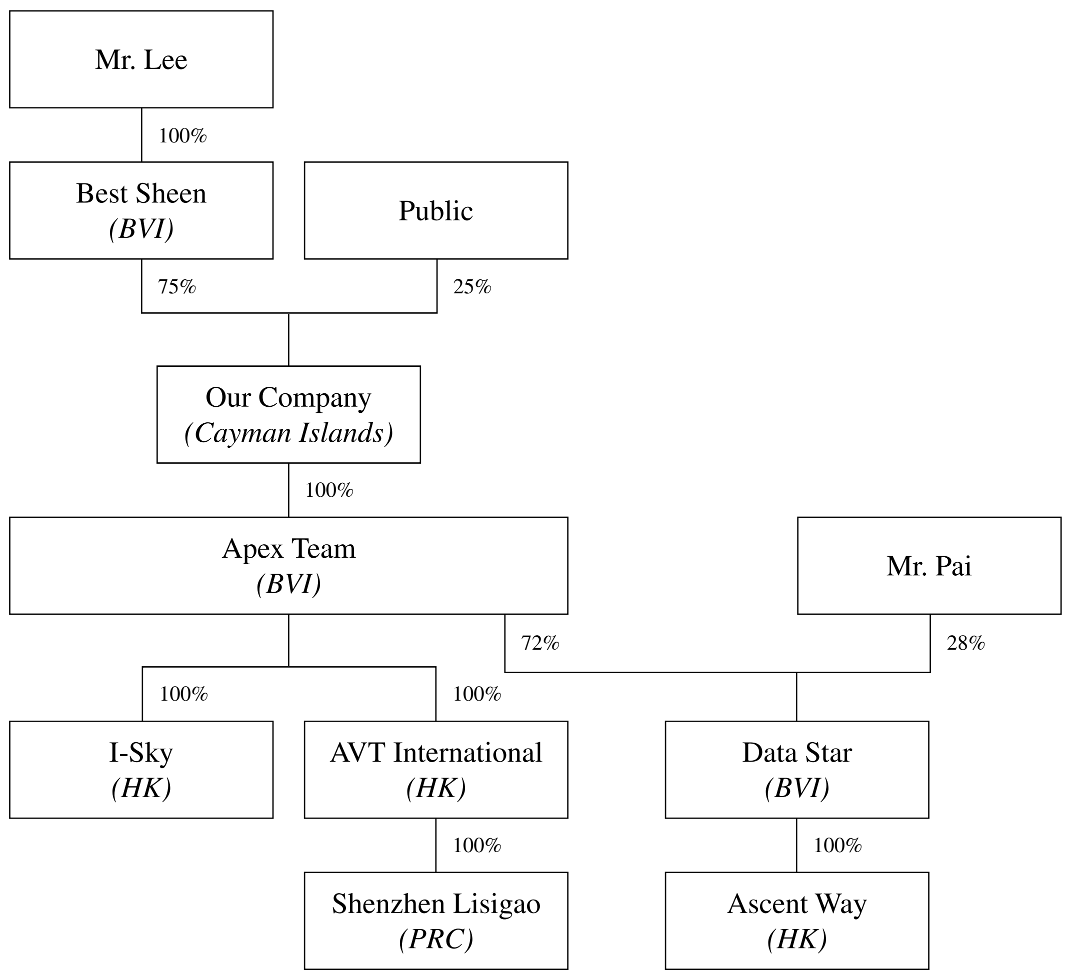
Pursuant to the written resolutions of the sole Shareholder passed on 15 February 2018, conditional upon the fulfilment or waiver of the conditions set out in "Structure and Conditions of the Global Offering" in this prospectus and subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the new Shares under the Global Offering, our Directors were authorised to allot and issue a total of 749,999,900 Shares credited as fully paid at par to the Shareholder(s) whose name appear(s) on the register of members of our Company at the close of business on 15 February 2018 in proportion to their shareholdings by way of capitalisation of an amount of HK$7,499,999 standing to the credit of the share premium account of our Company.

Global Offering

For details, please refer to the section headed "Structure and Conditions of the Global Offering" of this prospectus.

Corporate structure after completion of Capitalisation Issue and the Global Offering

The following chart sets out our shareholding and corporate structure immediately after the Reorganisation and completion of the Capitalisation Issue and the Global Offering, but without taking into account of any Shares which may be issued upon exercise of the Over-allotment Option and any Share which may be issued upon exercise of any options which may be granted under the Share Option Scheme:



OVERVIEW

We are a Hong Kong-based semiconductor and other electronic components distributor. We principally engage in the supply of digital storage products, which comprise our Memory and Data & Cloud products and General Components, along with the provision of our complimentary technical supports. Our customers are primarily market players in the TMT sector in the PRC and Hong Kong.

Since the commencement of our business in 2005, our Group has been focusing on identifying, sourcing, selling and distributing quality electronic components produced by brand name Upstream Manufacturers, who might not possess direct sales channels with sizeable Downstream Manufacturers; thus, normally conduct sales through electronic components distributors like our Group. During the Track Record Period, electronic components sold by our Group can be categorized into three types, namely (i) Memory products; (ii) Data & Cloud products; and (iii) General Components.

The following table sets forth a breakdown of our Group's revenue from different types of product during the Track Record Period:

	FY2014		FY2015		FY2016		FP2016		FP2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(unaudited)			
Memory products	372,489	47.8	540,439	48.2	1,027,422	60.4	648,705	57.9	1,337,531	67.7
Data & Cloud products	237,411	30.4	480,394	42.8	553,734	32.5	390,039	34.8	407,268	20.6
General Components	170,487	21.8	100,373	9.0	121,166	7.1	82,186	7.3	229,426	11.7
	780,387	100	1,121,206	100	1,702,322	100	1,120,930	100	1,974,225	100

The total revenue derived from customers who are listed companies (or their subsidiaries) accounted for approximately 53.0%, 60.0%, 65.0% and 63.8% of our Group's total revenue for FY2014, FY2015, FY2016 and FP2017 respectively. For each of FY2014 and FY2015, over 61% of our revenue were derived from Downstream Manufacturers and for FY2016 and FP2017 over 81% of our revenue were derived from Downstream Manufacturers. For FY2014, FY2015, FY2016 and FP2017 approximately 34.7%, 51.2%, 59.2% and 60.8% of our Group's total revenue, respectively, were generated from Downstream Manufacturers which are listed companies or its subsidiaries. The products supplied by us are generally applied to the production and assembling of enterprise-level secured server systems and electronic products used in our daily lives, such as, multimedia electronics and smart consumer electronic products, which could be broadly classified into three major types of applications by our Group, namely (i) multimedia devices; (ii) data centers; and (iii) mobile devices. Multimedia devices and mobile devices include commonly used products like set-top boxes, tablets, smart phones, smart TVs, smart wearables, while data centers generally refer to enterprise-level secured server systems.

Our Directors are of the view that one of the keys to our success is our capability to cultivate relationship and build close rapport with our suppliers and customers while capturing the rising trend in the TMT sector in the PRC and Hong Kong. In 2017, we had over 300 customers, which consist of Downstream Manufacturers and other distributors; and had over 45 suppliers, which consist of brand name Upstream Manufacturers and other distributors who are not an Authorised Distributor of a particular Upstream Manufacturer. For FY2016, approximately 65% of our Group's total revenue was derived from listed companies or subsidiaries of listed companies in the PRC, Hong Kong, Taiwan, Singapore and the USA. According to the Frost & Sullivan Report, in terms of total revenue, we ranked 19th in the highly fragmented electronic components distribution market of the PRC and Hong Kong with a market share of approximately 0.08% in 2016.

COMPETITIVE STRENGTHS

Our Directors believe that the following competitive strengths are keys to our success and will contribute to the future growth of our Group:

(1) Our Group possesses the flexibility and wide ranging product portfolio sourced from our quality suppliers to swiftly response to the ever changing market demand and be able to capture the rising trend in the TMT Market.

According to the Frost & Sullivan Report, electronic components manufacturing is in the rapidly evolving technology field. Driven by the ever-changing demands for electronic products with new and advanced functionality. Electronic components normally have a short life cycle and hence, our customers place orders to us on a frequent basis. It is essential for electronic components distributors like our Group to be able to accurately analyze and identify the market demands and adapt their product mix in a timely manner and meet the changes in demand accordingly. In view of that, we closely monitor our inventory level to maintain sufficient level of stock while avoiding stocking up obsolete inventory. We intend to maintain inventory for around one month of buffer stocks for our customers. During the Track Record Period, our Group was able to maintain a relatively short inventory turnover days of approximately 27.4 days, 18.8 days and 20.1 days for FY2014, FY2015 and FY2016, respectively. Such overall short inventory turnover days provides our Group with the flexibility to response instantly to the actual market demand of our products in this fast changing market.

The products we sourced from our suppliers are generally applied to enterprise-level secured server systems and consumer electronic products used in our daily lives. The demand for our electronic products is substantially driven by the demand of our customers' end-user. Our Directors are of the view that the ability to source a variety of quality products from brand name electronic components suppliers is one of the key factor to our success. Except for selling directly to some sizeable Downstream Manufacturers, brand name Upstream Manufacturers in the PRC normally conduct sales through an Authorised Distributor like our Group. These Authorised Distributors are required to demonstrate a sizable customer base, the capacity to handle technical support to customers and sound company credentials. As at the Latest Practicable Date, our Group was an Authorised Distributor of 26 brand name Upstream Manufacturers.

During the Track Record Period, key products sold by our Group comprised of Memory products, Data & Cloud products and General Components. Our products are widely applied in multimedia and mobile devices, such as, smart phones (mobile devices), set-top boxes (multimedia devices), and data centers, such as enterprise-level secured server systems. The increasing popularity of these end-products, IoT, and the widespread application of cloud technology has driven the upward trend in demand for our products. Our Directors believe that the products we sourced from our brand name semiconductor or other electronic components manufacturers would continue to have a strong market demand and achieve high potential growth in the long run.

(2) We diligently cultivate long lasting customer relationships with our major customers and develop an ever-growing customer base so as to capture the growth of the TMT sector in the PRC

According to the Frost & Sullivan Report, electronic components distributors and their engineering teams provide technical supports and field application supports to allow compatibility between electronic components manufactured by different Upstream Manufacturers, so that the Downstream Manufacturers can incorporate components from different sources in manufacturing and assembling electronic products. Meanwhile, Downstream Manufacturers in general are the significant and constant sources of revenue for electronic component distributors in view of the high demand of their products and their strong presence in their respective electronic products market. We are of the view that maintaining stable and long-term business relationship creates economies of scale and cost-effectiveness on communication, distribution and compatibility. In FY2014, FY2015 and FY2016, we had 220, 257 and 338 customers with revenue generated from our recurring customers amounted to approximately HKD704.6 million, HKD842.1 million and HKD1,206.0 million, representing approximately 90.3%, 75.1% and 70.8% of the total revenue of our Group respectively. Such proven record reflected our capability to cultivate relationships and retain close rapport with our customers attributable to the wide variety of quality products sourced from our selected suppliers and our complimentary technical support. With over 70% of our revenue contributed by our recurring customers and the on-growing number of customer base, our Directors believe that we have established and are benefited from the stable and long-term business relationships with our major customers.

According to the Frost & Sullivan Report, driven by the increasing demand on electronic products worldwide, the PRC, as one of the largest electronic product manufacturing and consumption countries, has been experiencing notable growth in the sales of electronic components. Enormous numbers of Downstream Manufacturers in the PRC create a high demand of semiconductor and other electronic components. They seldom replace their suppliers for various reasons. First of all, they have to undergo a tedious supplier-selection process to learn about suppliers' product mix, response time to the latest technology, capacity in providing technical support, distribution channel and pricing of products and services etc. Once a firm business relationship has been established, it is costly and risky for customers to replace their suppliers. During the Track Record Period, our sales to our customers based in the PRC was approximately HKD447.0 million, HKD811.5 million and HKD1,297.6 million for FY2014, FY2015 and FY2016 respectively, which accounted for approximately 57.3%, 72.4% and 76.2% of our overall revenue, respectively. Our sales to Hong Kong customers followed this upward trend. Our Directors are of the view that the increasing trend in our revenue to customers based in the PRC reflects that our Group has been increasingly allocating more resources and manpower to the PRC market. Our Directors are of the view that there are huge opportunities for us to expand our business in the PRC.

(3) We have an experienced engineering team to provide support to our sales team and to maintain a collaborative relationship between our suppliers and customers

Our Group has a strong in-house engineering team who is capable of designing and incorporating solutions to our Groups' product mix.

Our engineering team provides customized and distinctive solutions as well as technical support to our customers in accordance with their individual needs and specifications on a complimentary basis. Customers can choose to purchase products from our Group on a standalone basis such as a single Memory chip, or on an integrated basis, i.e. the assembly of assorted components into an end-product, such as enterprise-level secured server systems.

In essence, our engineering team can provide a one-stop service including field application engineering (FAE) support, reference-design, assistance in modification of firmware, advice on the assembly of components, replacement of certain parts as an upgrade or tailored to customers' needs and the after-sales support and maintenance service.

To strengthen our collaborative relationship between our suppliers and customers, our engineering team participates in trainings with our customers held by our suppliers from time to time. Our Directors believe that our quick product knowledge updates with the suppliers' products, reinforce the relationship among the suppliers, customers and our Group.

Our engineering team also works closely with our sales and marketing team in order to solicit new sales order from new customers or sales orders for other electronic components from our existing customers. If such products as promoted by our sales and marketing team are not compatible with other components (e.g. main chip), our engineering team will liaise with the manufacturers of the relevant components and configure the parameters in order to have the promoted products compatible with the relevant components. For details, please refer to the section headed "Business – Field Application Engineering (FAE) Support" of this prospectus.

Our Directors believe that our engineering team plays an important role in the maintenance of collaborative relationships with our suppliers and customers, and that the design-in processes are crucial to procure new sales order.

(4) We are led by a well-seasoned and experienced management team who has substantial experience in the industry

Our Group's experienced and stable management team has motivated the operations and improved the sales revenue throughout the Track Record Period.

The management team is headed by Mr. Lee, our Controlling Shareholder, executive Director and Chief Executive Officer. He has over 35 years of experience in the semiconductor distribution industry in the PRC and Hong Kong. Apart from Mr. Lee, Mr. Wang Chuangzhi, our Group's Technical Marketing Manager and Mr. Fu Xiaodong, our Group's Sales Director, also have over 17 years of experience in the electronics and semiconductor industry. The management team jointly manages and leads our Group to an increasing sales turnover by selecting the appropriate product lines and expanding our supplier and customer bases.

Our management is also highly responsive to market needs. Our management stresses on the variety and the flexibility of our product portfolio. They would select products which have strong market demand and high potential growth at any point of time, and as the market demand changes, our product portfolio is adjusted accordingly.

Our Directors believe that the in-depth knowledge and extensive experience of our capable management team, along with our experienced engineering team, could provide our Group with significant competitive advantages in the ever-changing electronic components industry.

STRATEGIES OF OUR GROUP

With an aim to enhancing our supplier network and broadening our product portfolio and enlarging our market share as a semiconductor and electronic components distributor in the PRC and Hong Kong, we intend to pursue our goal through the implementation of the following strategies.

Broaden our customer base by expanding our product variety and through capturing larger market share

According to the Frost & Sullivan Report, in terms of total revenue, we ranked 19th in the highly fragmented electronic components distribution market of the PRC and Hong Kong with market share of approximately 0.08% in 2016. Moreover, due to the substantial number of Downstream Manufacturers in the PRC, it would create a high demand of semiconductor and other electronic components. In other words, there is plenty of room for distributors, like our Group, to increase the market share in the electronic components distributor industry.

In order to increase our market share in the industry in the PRC, our Directors are of the view that expansion of our product variety is inevitable. As such, our Group strives to secure distributorship of new lines of product from our existing suppliers and, in particular, to become an Authorised Distributor of more brand name Upstream Manufacturers based in the PRC as well as other countries with hi-tech industry such as Taiwan, USA and South Korea to complement and expand our business development. However, before being approved as an Authorised Distributor of a brand name Upstream Manufacturer, we are required to pass the approval procedures imposed by the brand name Upstream Manufacturer. To the best knowledge of our Directors, more stringent approval procedures are likely to be imposed by brand name Upstream Manufacturers of larger size and it is not uncommon for these Upstream Manufacturers to take into account the financial position of the interested distributor before granting credit term and credit limit. For more information on the approval procedures, please refer to "Business – Business Model – Approval Procedures" of this prospectus.

Maintaining a healthy financial position in long run by adopting a disciplined financial strategy

We intend to adopt a disciplined financial strategy in our business operations and to maintain a healthy financial position without exposing ourselves to relatively high gearing in order to achieve sustainable growth in the long run. Our Directors believe that a prudent financial management in liquidity commitment could provide reasonable return for our shareholders steadily while ensuring our continued growth in the long term. We intend to repay certain of our bank borrowings with effective interest rate of 2.58% to 4.18% per annum (based on the effective interest rates as at 30 November 2017 and due in March 2018) which were used as working capital, within two months after the Listing, the nature of which were detailed under section headed "Financial Information – Bank borrowings" in this prospectus. While our Group has been inevitably relied heavily on short-term borrowings to finance the required working capital in response to the continuous growth in our business operations, repaying mainly the unsecured bank borrowing could enable our Group with more flexibility to implement our business objectives. Upon repaying the current bank borrowings, rather a short-term lift, our Group could utilize our listing status and a healthier financial position to gain more bargaining power to negotiate and obtain alternative debt financing with more favourable terms, in terms of interest rate and covenants of the borrowings, from financial institutions. Such flexibility would improve our position in coping with working capital sufficiency of our Group, minimising our financing burden in the long run.

Our Directors are of the view that such improvement on our gearing would further strengthen our corporate image and enhance the confidence of our Group's stakeholders towards our financials. We also intend to continue to actively manage our liquidity with respect to our trade receivables and trade payables to ensure that sufficient cash flow will be generated internally for our ongoing working capital needs. In view that credit terms granted by us to our customers are generally longer than that of the credit terms offered by our suppliers to us, the length of credit periods and the amount of credit limit offered by our suppliers are critical to our operation and liquidity. During the Track Record Period, the credit term granted to our top five customers was generally 60 days or more while the credit period offered by our top five suppliers was only 30 days in general. For details analysis of liquidity risk faced by our Group, please refer to the section headed "Risk Factors – The timing of our payment to suppliers may not match our receipt from customers" of this prospectus. Our Directors consider that longer credit term and higher credit limit would be offered by our existing suppliers or new suppliers if our Group's financial performance and liquidity are improved after the Listing; hence, minimising our cashflow mismatch between payment to suppliers and payment from our customers.

Over the past, our Group's long term plan for capital expenditure has been limited as a result of our restricted access to long term financing resources and the pressure of the position of our relatively high gearing ratio. Our Directors are of the view that the use of equity financing upon listing to finance our long term expansion plan would be a better alternative than debt financing as our liquidity risk and gearing level will be inevitably increased if our equity base is not increased simultaneously to support our debt level. Despite the current low interest rate environment, there is no assurance that the low interest rate environment will be prolonged, our Directors believe that our Group's financial performance and liquidity may be negatively affected if there be any increase of our Group's principal and interest payments. Also, as debt financing may prevent us from obtaining more favourable credit term and credit limit from our suppliers, using debt financing to fund our long term capital expenditure is not ideal in the long run. We believe that our suppliers may give preference to a company which has less debt burden because a company with a higher gearing ratio may be financially vulnerable given that it is carrying a relatively heavy debt load and is at a greater liquidity and default risk. Our Group may expose to increasing borrowing costs in the future if our Group proceeds with debt financing to fund our Group's long term future plans. As we have already pledged our self-owned properties for long-term financing (in forms of long-term bank installment loans, which contain a repayment on demand clause and, hence, classified as current liabilities), if we obtain additional amount of short term financing in preparation to our long term expansion plan, the cost of which might adversely affect our liquidity and worsen our liquidity mismatch, which in turn limits our flexibility to cope with the ever changing market condition.

Further, it would also enhance the confidence of stakeholders in the industry including brand name Upstream Manufacturers towards our financials and further strengthen our ability to obtain Authorised Distributor status from other brand name Upstream Manufacturers, particularly those of larger size, so as to enable us to broaden our product portfolio and enlarge our market share in the industry.

For details of the access to additional financing sources upon the Listing and how the enhancement of our corporate profile and recognition would lead us to a healthier financial position, please refer to the section headed "Future Plans and Use of Proceeds – Reasons for the Listing" of this prospectus.

Strengthen our research and development capabilities

We will continue to strengthen our research and development capabilities and commit to the development of our existing product portfolio and potential new products to maintain and enhance our position as one of the leading electronic components distributors in the PRC and Hong Kong. With the aim to securing distributorship of new lines of product and cope with our strategy to expand our product variety so as to capture more business opportunities, we plan to establish a new product development department in the first quarter of 2018 to research on market intelligence, predict market trends, and develop new product lines, and at times, working in collaboration with our Group's suppliers. Initially, we intend to hire four staff which consist of two research analysts and two supporting staff.

Our Directors are of the view that possession of up-to-date market intelligence within the industry is one of the key factors leading to the success of an electronic components distributor. With the establishment of the new product development department, we will be able to designate our specialized staff to focus on market intelligence, latest electronic components for use in popular electronic products, and keeping up with the industry trend and latest technology so as to enable us to enhance and broaden our product portfolios and apply for Authorised Distributor status from the relevant Upstream Manufacturer as we think appropriate. According to Frost & Sullivan, Upstream Manufacturers normally have stringent criteria to select Authorised Distributors in the PRC. For example, technical competence and quality control are key points as they are closely related to the reputation of suppliers. Other selecting criteria include distributors' geographic coverage of business, historical success in distributing similar products, and operating performance in the market etc. It is expected that the two analysts and two supporting staff are required to be possessed with an engineering degree and not less than 5 years' experience in the industry. In the course of product development process, we may be required to purchase some electronic components in the market for building our own development platforms.

Strengthen our sales and marketing and technical support for future growth

We deeply believe that a strong workforce equipped with adequate industry knowledge and experience would bring our Group continuous success. In order to maintain our quality service including our technical support and cope with our business development and expansion plan aforementioned, our Directors are of the view that recruiting additional staff is required so as to ensure that comprehensive and efficient services are maintained. In addition to the increase of headcount in our new product development department, we intend to recruit a total of, initially, 14 additional staff which consist of four experienced finance staff and administration staff (expected to be possessed with university degree in accounting with five years' administrative experience preferably gained from financial and/or distribution industry and knowledge in electronic components distribution is preferred), four engineers who possessed with university degree in electrical and/or networking engineering with at least five years' related experience preferably with knowledge in Data & Cloud center equipment integration and consumer electronic products, six sales and marketing staff who possessed with an university degree with at least five years' experience in electronic engineering for our Hong Kong and Shenzhen offices in the second quarter of 2018.

We will continue to provide internal training to our existing and new staff as well as sponsoring our staff for external training programmes which are relevant to our business. In addition, we will regularly arrange for our staff, particularly our sales and marketing staff, to attend trainings hosted by our suppliers and participate in trade exhibitions and fairs both locally and overseas so as to increase our market exposure and reputation. It will also allow us to seek out new product lines to add to our product portfolio. Our Group will cover all travelling expenses and accommodation of our staff during these trainings and overseas trips.

Enhance our warehouse and office in Hong Kong

With the expansion plan in place, we expect that a larger premises for our inventory is required. In this respect, we intend to expand our warehouse in Hong Kong by renting an additional warehouse in the second quarter of 2018 to cope with the expected increase of inventory as a result of our business expansion in the second quarter of 2018. Currently, our warehouse is close to saturation. Our Directors are of the view that our warehouse currently in use is insufficient to meet our future operation and intend to look for an additional warehouse with floor area of approximately 4,000 square feet. It is expected that the rent for the expected warehouse would be approximately HKD68,000 per month after taking into account similar property within the area where our existing warehouse is situated. Besides, we plan to improve our office equipment such as computers and to purchase motor vehicles for our office in Hong Kong to cope with our business expansion. Approximately HKD1.6 million is estimated to be used for rental payment of an additional warehouse; approximately HKD1.0 million is estimated to be used for renovation, fixtures and fittings of the additional warehouse; and approximately HKD2.1 million will be used for improving our office equipment and purchasing motor vehicles.

Installation of ERP system and supporting softwares for our operation

Our Directors consider that information system plays an important part to support our business expansion and internal controls. The current system at our offices was first installed in 2006. With the expected increase of inventory as a result of our business expansion, we plan to install a centralized ERP system to support our operations in both the PRC and Hong Kong for better sales and inventory management. We strongly believe that the ERP system can allow us to assess daily data about our inventory levels and movement of stocks in a more efficient manner and provide us with information about stock movements necessary to optimize our inventory and sales planning. Besides, in support of our expanding operation, we plan to purchase supporting softwares such as cloud based data analysis software for our frontline sales staff to utilize our inventory and sales data for more detailed sales and marketing analysis. We would also upgrade our general office software and email exchange software, so as to enable us to maintain our operations in orderly and efficient manner.

Approximately HKD2.8 million is estimated for the installation of the ERP system and approximately HKD4.3 million is estimated for purchasing support software. It is expected that the ERP system and other supporting softwares would be installed in the second quarter of 2018.

Establish offices in Beijing and Chengdu

According to the Frost & Sullivan Report, the PRC is a global leading market for electronic products manufacturing and is expected to maintain a growing trend which would support our Group's financial performance in terms of the growth of revenue of our Group. Thus, our Directors believe that it is critical to set up additional offices in the PRC.

We plan to set up an office in Beijing and Chengdu, which is in line with our business strategies to expand our sales and technical support throughout the PRC. We have been approaching potential customers including some of the leading telecom and internet service providers located in Beijing. With an office established in Beijing we are of the view that our access to business opportunities would be improved. Besides, with an increasing number of various brand name Downstream Manufacturers at strategic locations such as the Chengdu Industrial Park, we also intend to expand our sales network and technical support in Chengdu and its vicinity.

Acquisition of new office premises as our Shenzhen head office

In view of the continuous increase in the general rental expenses of office premises in Shenzhen, our Directors believe that it is, in the long run, more strategically beneficial and economical for us to purchase our own office premises as our PRC head office.

Both of our Group's current offices in Shenzhen are rented premises, one of which is rented from Mr. Lee, and the rental arrangement is regarded as a fully exempt continued connected transaction. For details, please refer to the section headed "Continuing Connected Transactions" of this prospectus. The sizes of these two leased premises are 385.52 sq. m. and 246 sq. m. respectively. With the expansion of our Group, these two premises would not be sufficient to accommodate our staff.

Our Group intends to acquire an office premises in the Futian district of Shenzhen as our PRC head office. The size of the office premises is expected to be approximately 800 sq. m. which is estimated to be sufficient for the accommodation of additional IT equipment and two to three meeting rooms. Not only could we consolidate all of our staff in one office unit, part of the new premises could also serve as a warehouse for our inventory. Our Directors are of the view that owning a self-owned property as its head office in the PRC would also benefit our Group in obtaining Authorised Distributor status from large suppliers as it is the understanding of the Directors that higher credit rating would be assigned by these large suppliers if its potential customers could show that it is well established in the relevant region (including considering the number of properties held by it), which is in line with our strategies aforementioned.

We estimate that the purchase price of the new office premises to be acquired by our Group is approximately HKD48.0 million after taking into account the market condition in the Futian district of Shenzhen. As estimated by the Directors, after taking into account the market condition, the estimated rent for a similar property would be in the range of HK$200,000 to HK$250,000 per month. Based on the estimated annual depreciation value of approximately HK$1.6 million (residual value over the unexpired term of use (assuming 30 years) of a similar property estimated at HK$48.0 million), the Group would save not less than 30.0% as compared with the estimated yearly rental expenses of HK$2.4 million (HK$200,000 x 12 months).

Our Group estimated that in relation to the acquisition and establishment of new office premises as our Shenzhen head office in the third quarter of 2018, approximately HKD36.1 million of the net proceeds from the Global Offering will be used, among which approximately HKD33.6 million will be used for settling approximately 70% of the purchase price of the new office premises (which is expected to be located in Futian district of Shenzhen with floor area of approximately 800 square meters) while the balance will be settled by our internal resources; and approximately HKD2.5 million will be used for the renovation of the new office premises and the purchase of new fixtures and fittings, office equipment and motor vehicles for the new office premises.

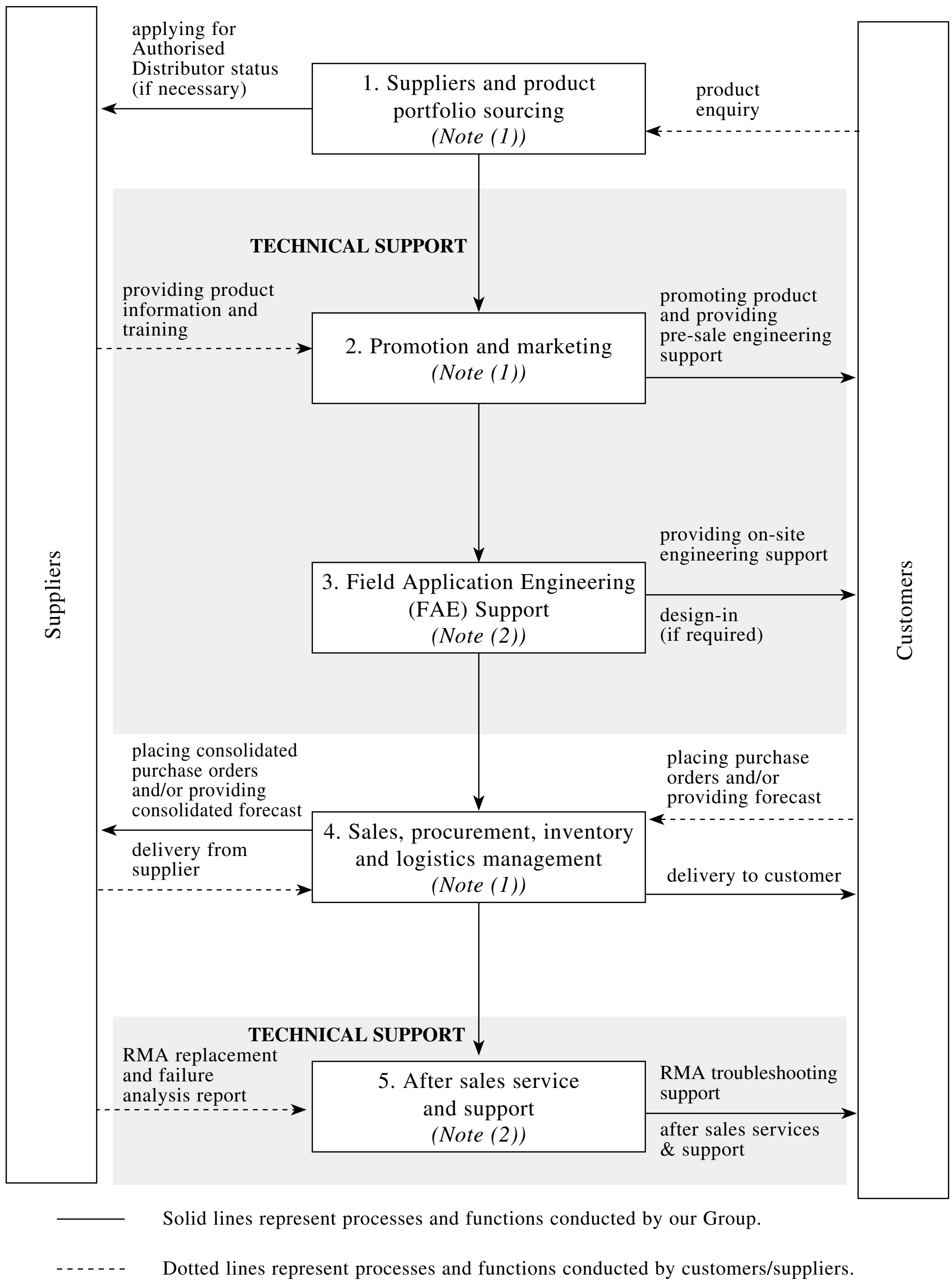
Our expected capital expenditure for the FY2017 and FY2018 is expected to be nil and HKD57.4 million, which are expected to be settled as to approximately 75% by the proceeds raised under the Global Offering and the remaining by internal resources. When necessary, we may consider using debt financing such as mortgage loan to fund our expected capital expenditure. Based on our satisfactory credit records, our relationship with the banks and the sound credit profiles of our major customers and, in particular, we have been granted banking facilities by some of our banks for more than 10 years with increasing credit limit year by year, our Directors do not foresee any difficulties in repaying/renewing our bank borrowings upon maturity if necessary. Our Directors confirm that, as at the Latest Practicable Date the Company does not have any external financing plans, save for the Global Offering.

Use of Proceeds for our Strategies

Please refer to the section headed "Future plans and use of proceeds" in this prospectus for the intended use of proceeds from the Global Offering for our strategies set out above.

BUSINESS MODEL

The business flow of our Group, which applies to all our operating subsidiaries (i.e. AVT International, Ascent Way and Shenzhen Lisigao), is set out below:



Notes:

(1) If the purchase order is made in Hong Kong, our products will only be delivered within Hong Kong. If the purchase order is made in the PRC, our products will only be delivered within PRC. Our key business processes including suppliers and product portfolio sourcing, promotion and marketing, sales, procurement, inventory and logistics arrangements are handled by the regional subsidiaries at where the sales is conducted as instructed and specified in purchase orders from our customers. A vast majority of our transactions with our customers, including most of our PRC based customers, are carried out by our Hong Kong subsidiaries, conducted and settled in Hong Kong via independent forwarders or agents.

(2) Our engineers are required to assist our customers located in both the PRC and Hong Kong, which are subject to staff allocation.

(1) Suppliers and Product Portfolio Sourcing

(a) Enquiries from our existing customers or new customers

We may receive enquiries from our existing customers or new customers on suitable components for their products. Where we are an Authorised Distributor of the requested components, we will negotiate with our existing customer or new customer on the terms and prices of the orders. In the event we are not an Authorised Distributor of the requested component, our Group may approach and source the requested components from relevant manufacturers or other distributors subject to whether the profitability and terms of the orders are in favour of our Group. If we foresee that it may take considerable time and cost to apply for Authorised Distributor status of such Upstream Manufacturers or to seek the requested product from other distributors, we may turn down the request of such customer. For details of the application for an Authorised Distributor status, please refer to section headed "Business – Approval procedures" of this prospectus.

(b) Suppliers selection

When selecting and sourcing potential suppliers, we will take into account certain factors including (i) the suppliers' credentials such as, their backgrounds, production facilities and goodwill; (ii) the features and quality of the products manufactured by them; (iii) the current and forecasted demand of the products in the market; (iv) the price and payment terms offered to our Group; and (v) their technical capability.

(c) Approval procedures

Generally, brand name Upstream Manufacturers have put in place approval procedures for the granting of Authorised Distributor status. Before being approved as an Authorised Distributor of these brand name Upstream Manufacturers, interested distributors are required to pass the approval procedures imposed by these brand name Upstream Manufacturers. Interested distributors are required to produce their financial reports, years of experience in the industry, number of staff and engineers to these brand name Upstream Manufacturers. The documents required vary from one manufacturer to another. To the best knowledge of our Directors, more stringent approval procedures are likely to be imposed by brand name Upstream Manufacturers of larger size. In normal circumstance, the approval procedure usually takes around three to four weeks depending on the criteria of the manufacturer.

A few of our suppliers of the Group, mainly brand name Upstream Manufacturers, require an execution of a supply agreement prior to the supply of products to the Group. Where a supply agreement is signed, the term of cooperation, in general, ranges from 6 months to termination upon mutual consent of the parties. Supply agreements with a term are usually automatically renewed or extended provided that the parties have not issued any written termination notices. The Authorised Distributor status is usually granted on a yearly basis or without any specific term until the parties mutually terminate the cooperation. As at Latest Practicable Date, we were an Authorised Distributor of 26 brand name Upstream Manufacturers.

(2) Promotion and Marketing

Our Group hires experienced sales personnel both in the PRC and Hong Kong. As at the Latest Practicable Date, our sales and marketing team consists of 55 members mainly in the PRC. Our sales team is responsible for liaising with and handling enquiries from our existing customers and potential customers with respect to their production and technical problems. Certain staff of our sales team are equipped with engineering background and technical knowledge who could work closely with our customers to understand their requirements and effectively cater for their specifications according to their production needs. Our Group imposes sales target on the sales staff. As an incentive, sales commission and/or bonus are provided in accordance with their individual performance.

Our sales team pays regular visits to our suppliers and customers to promote our new products and evaluate on our current products on a weekly or bi-weekly basis. At the visits, they would discuss with the customers on whether the existing logistics and products are in order as well as to introduce new products.

Our Group does not engage in any direct advertising campaigns. As part of the marketing strategy, we usually send our sales and marketing personnel to participate in various electronics exhibitions and trade fairs both locally and overseas, where our Group makes contact with potential customers and suppliers. During the trade fairs, our Group may actively source new products from potential suppliers while at the same time promoting our Group's products and our technical support service to potential customers. Similarly, our Group may also identify and approach new customers among the members of the trade association of the industry i.e. HKEIA. Our Directors consider that participations in these exhibitions and fairs, and being a member of HKEIA could benefit the Group from soliciting new suppliers and customers and thus an important marketing effort of our Group.

As and when necessary, our sales and marketing team will request assistance from our engineering team so as to facilitate the solicitation process. We provide technical support on a complimentary basis from the pre-sales to post-sales stages. Pre-sales application engineering support services include advising customers on the compatibility and configuration of electronic components, design-in, installation methods and communicating with Upstream Manufacturers and/or Downstream Manufacturers to fine tune configuration.

Our Group's marketing efforts are also focused on understanding customers' needs through the personal network of the Directors and sales representatives.

At times, we may receive business referrals from our existing customers and suppliers. The on-going business dealings with our existing customers enable our Group to understand our customers' needs and product development. When customers' new products are still in the planning stage, our Group's engineering team may approach the customers for discussion of the feasibility of their new products and our Group's suitability for supporting their new products. In this way, our Group is in a favourable position to securing new business with existing customers. There are times when potential customers may approach Upstream Manufacturers directly for the need of products and services. In which case, the manufacturer may refer the business to our Group. As our experienced engineering team is capable of handling various technical support, orders may be directly referred by suppliers to our Group for customers that require specific supporting services.

Obtaining pre-approved product status

For the purpose of promoting the products we sourced, our sales and marketing team will, with the assistance of our engineering team, obtain pre-approved product status for the components promoted by us. It is the industry norm that some key electronic components such as main chip used in an end-product usually has its own pre-approved product list for ancillary component such as Memory products. If it is anticipated by us that there will be high demand in future for the component, our sales and marketing team will liaise with the Upstream Manufacturer and apply for pre-approved product status for the relevant component.

To the best knowledge of our Directors, in the approval process, these Upstream Manufacturers will take into account of: (i) the end-product in which the ancillary components will be used; (ii) the reliability and reputation of the ancillary components; (iii) the forecasted demand of the ancillary components; (iv) the background (including financial and business position) and capacity of the distributor (including the ability on solving technical problem). Generally, the approval process takes approximately two weeks to four weeks with some exceptional cases up to couple of months. The approval processing time varies from one manufacturer to another depending on the complexity of the relevant ancillary components and the criteria of the manufacturer.

(3) Field Application Engineering (FAE) Support

As at the Latest Practicable Date, we had 11 engineers who mainly stationed in the PRC. Our engineers are mainly responsible for providing engineering and technical support to customers on-site or off-site. Generally, our customers will seek for our assistance through email and telephone for initial technical and engineering support.

Our engineering team will also work closely with our customer's engineers to formulate an integrated design solution and end up with a working product prototype. Our engineering team will then assist our customer in resolving all of our products' technical issues that may occur during the testing of the product prototype as in normal course of engineering support. This process is called "design-in".

Upon completion of the design-in process, our engineering team may assist our customers to create a small quantity of pilot-run of end-products incorporated with our products. Certain problems may arise during the testing process, e.g. incompatibility of the software, in that case, our engineering team would come into play and fine-tune the parameters so as to correct the errors. This testing process usually lasts around three weeks' time. The testing process may also involve engineers from the suppliers, such testing process is regarded as part of the after-sales services provided by our Group. Generally, it takes around four months from design-in process to mass production.

(4) Sales and Procurement

Procurement Process

Along with the above sales and marketing activities and technical supports provided by our Group, our customers typically submit their requests for quotations with their target prices. Our sales team would pass the requests to our customer service team of administrative department to check on our existing inventory level and obtain the quotation from our corresponding suppliers. Our sales team will then come up with a quotation upon the approval from our product manager of sales and marketing department for our customers. Our quotation is generally formulated based on our estimated costs plus a mark-up margin and will normally set out detailed product specification and delivery time. For details, please refer to the section headed "Business – Pricing Policy" of this Prospectus. Our product manager is also responsible for the negotiation of the payment terms with our suppliers. Our quotation is typically valid for 30 days from the date of issue. After negotiation on price and other terms, if the customer places a purchase order based on the agreed quotation, our Group will then proceed to place orders with our suppliers. We confirm our acceptance of the purchases orders from our customers by signing the purchase order. Generally, we procure upon the receipt of purchase orders from our customers and we also procure frequently ordered items depending on our expectation on market demand and production lead time.

After receiving purchase orders from our customers, our product managers will review the details of the orders, including part number(s), quantity, date of delivery, shipping location, payment terms, minimum order quantity and logistic arrangement.

Customer service staff of our administration department is responsible for placing orders with our suppliers in accordance with the purchase orders from our customers and liaise with our suppliers on the logistics of the delivery of products. The product manager will communicate with the customer service staff for them to consolidate and prepare purchase orders to our corresponding supplier after checking to our existing inventory level in our warehouse. For better monitoring of our Group's purchase, all of our purchase order forms are pre-numbered and are controlled by a purchase order register. Upon the approval of our senior management, the product manager will be responsible for liaising with the suppliers for delivery arrangement. Generally, the lead time varies from one product to another, ranging from one week to 19 weeks, depending on the inventory level of the manufacturers. The delivery arrangement differs from supplier to supplier. Some of suppliers ship the products to our Group directly and some of them require our Group to pick up at their warehouses, which are usually outside Hong Kong. Our Group will arrange for reputable forwarder(s) to pick up products at the warehouses outside Hong Kong. We have maintained adequate insurance policy against the risks of physical loss and/or damage to our products during the transportation.

Upon the delivery from our suppliers, our Group would on a case-by-case basis, undertake the post-sales logistics, which enables our Group to deliver to the customers in a timely manner.

From time to time, our Group receives forecasts of purchase plan from certain customers in respect of the orders that they may place in the coming quarter or months. After consolidating their forecasts from time to time and upon the assessment of our senior management, our customer service staff will in turn, pass our consolidated forecasts to suppliers to facilitate their production plan, as to revert to us the estimated production lead time and capacity.

Customers' Product Testing Process

Apart from the approval process imposed by our customers or potential customers, generally, these customers have put in place testing processes for the products ordered. Before bulk purchasing from our Group, pilot-run may be conducted by our Group's customers to ensure that the product to be supplied by our Group is reliable and robust. The duration for the testing process generally ranges from one to two months.

(5) Inventory and logistics management

Depending on the purchase orders placed by our customers, our products may be distributed in the following manners: (i) our suppliers may deliver the products to the designated address as provided by us, the addresses are usually our customers' addresses; or (ii) our customers may pick up their orders directly from the warehouses of our suppliers. Regardless of the distribution manners, the products would be ready in accordance with the delivery dates as set out on the purchase orders.

(6) After Sales Services and Support

Post-sales technical support services include software upgrading, component replacement and emergency support. At times, our engineering team would also work closely with our suppliers' technical teams to resolve issues from the customers, especially when our Group lacks the source codes for specific products. Generally, we are not required to provide technical support to our customers for a product after six months from the date of delivery unless the product is in a fatal condition and would take considerable effort to solve the problem.

We offer RMA services to our customers, which include the provision of troubleshooting support, replacement of defective products and provision of a failure analysis report. Our Directors consider that the availability of RMA services is one of the criteria that our customers will take into account when approving their suppliers. For details, please refer to the section headed "Business – Approval Process by Our Customers" of this prospectus.

Ascent Way

Ascent Way is our subsidiary wholly-owned by Data Star which in turn owned as to 72% by our Group and 28% by Mr. Pai and whose business is the supply of Memory products sourced from Supplier H only. As at the Latest Practicable Date, we had allocated 10 sales and administrative staff and 3 engineers who will only be responsible for the sales and marketing of and technical issues arising from Memory products supplied by Supplier H. The business process of Ascent Way is similar to that of our Group. If it is contemplated that other brand will be more suitable for our customers, these customers will be handled by other sales staff and/or engineers of our Group. In addition to staff allocation costs, all other operating costs such as office and warehouse costs will also be accounted for by Ascent Way.

The customers of Ascent Way are mainly Downstream Manufacturers procured by its sales team. Some of its customers are also a customer of our Group such as Customer F and Customer J but there is no overlapping branded products between Ascent Way and our other subsidiaries. Ascent Way is mainly responsible for the sales and marketing of Memory products supplied by Suppler H while our Group is responsible for all products which carried other brand names.

Mr. Lee became acquainted with Mr. Pai in 2010 when Supplier A has become one of our Group's suppliers. After Mr. Pai's resignation from Supplier A in 2016, by virtue of the fact that Mr. Lee has been in the industry for a long time and our Group's strong presence in the markets of set-top boxes and smart TVs, Mr. Pai approached Mr. Lee to explore business cooperation in the sales of electronic components. To the best knowledge of Mr. Lee, Mr. Pai has maintained good relationship with Supplier H and it was the intention of Supplier H to broaden its market share by entering into the markets of set-top boxes and smart TVs markets in the PRC. As a result, Mr. Lee and Mr. Pai decided to form a business partnership by establishing Ascent Way and sourcing only the Memory products from Supplier H. As at the Latest Practicable Date, each of Mr. Pai and our Group had invested through Data Star approximately US$616,000 and US$1,584,000 respectively in Ascent Way.

Save as disclosed, Mr. Pai has no other business relationships with Supplier A and Supplier H.

PRODUCTS

We are a Hong Kong-based semiconductor and other electronic component distributor. The electronic components we supply can be broadly classified into three major segments: (i) Memory products, (ii) Data & Cloud products, and (iii) General Components.

The following table sets forth a breakdown of our Group's revenue from different categories of product by application during the Track Record Period:

	FY2014		FY2015		FY2016		FP2016		FP2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Memory										
– Multimedia devices	352,430	45.2	426,299	38.0	675,110	39.7	447,680	40.0	944,157	47.8
– Mobile devices	20,059	2.6	114,140	10.2	352,312	20.7	201,025	17.9	393,374	19.9
Subtotal	372,489	47.8	540,439	48.2	1,027,422	60.4	648,705	57.9	1,337,531	67.7
Data & Cloud product										
– Data centers	237,411	30.4	480,394	42.8	553,734	32.5	390,039	34.8	407,268	20.6
Subtotal	237,411	30.4	480,394	42.8	553,734	32.5	390,039	34.8	407,268	20.6
General Components										
– Multimedia devices	131,474	16.8	78,929	7.1	78,311	4.6	47,910	4.3	197,745	10.0
– Data centers	–	–	185	0.0	7	0.0	5	0.0	–	–
– Mobile devices	39,013	5.0	21,259	1.9	42,848	2.5	34,271	3.0	31,681	1.7
Subtotal	170,487	21.8	100,373	9.0	121,166	7.1	82,186	7.3	229,426	11.7
Total Revenue	780,387	100	1,121,206	100	1,702,322	100	1,120,930	100	1,974,225	100

Our Directors considered that the demand for our electronic products is driven by the demand for our customers' end-user consumer products which typically have a short product life cycle and are subject to the fast-paced evolving trends and new technologies, and therefore our customers have to make frequent purchases. According to the Frost and Sullivan Report, product life cycle is the entire process from inception, through engineering design and manufacture, to service and disposal of a manufactured product. It is different from the product's life span, which refers to the useful life of a product from being produced to be fully depreciated and no longer in service. In general, electronic components follow a life cycle as: manufacturers source materials and then process into electronic components. After packaging, products are sold to Downstream Manufacturers through the services provided by distributors. Such electronic components are applied in various electronic products that are then sold to end users. Some electronic components need regular maintenance or upgrades to meet users' needs during usage. Electronic components are disposed when they are either separately replaced or the whole electronic product is disposed. A brief description of the scope, product life span and product life cycle of our product categories are as follow:

(A) Memory Products

Memory electronic components mainly refer to those integrated circuits made out of millions of transistors that can store data or can be used to process code. They have a major impact in user experiences in terms of user interaction response time and convenience of large storage space for video, image, and document contents. Memory products are widely used in multimedia and mobile devices and usually adhered to and being part of a motherboard.

Our Group supplies Memory products such as DDR SDRAM, LPDDR, PSRAM, MMC, MCP, eMCP and FLASH. During the Track Record Period, the selling price of Memory products offered by our Group ranged from approximately HKD0.5 (EEPROM used in multimedia devices) to HKD212.2 (eMMC used in mobile devices).

According to Frost & Sullivan Report, Memory products normally have a life span around five to seven years before they are worn out. Memory products used in electronic products do not normally need regular maintenance or upgrades, and cannot be separately dismantled or replaced by individual users. Therefore, the life cycle of Memory products comes to an end when the application electronic products are disposed or replaced. Specific influence of electronic products can be illustrated as:

- With fast development of technology, new functions are continuously being added to multimedia and mobile electronic devices. As a result, consumers replace their electronic products more frequently, typically for mobile phones. Each year, most electronic product brands launch several new products with optimization in performance and new functions. The shortening life cycle of electronic products stimulates the demand for Memory products.

- The software system of electronic products, such as mobile phones and tablets, is becoming increasingly competent and perfect, which requires larger storage room and quicker speed in data read and write. Normally under the current circumstance, such electronic products will become slow to respond or even not be compatible with newest software system after two to three years of usage.

(B) Data & Cloud Products

Data & Cloud products are generally used in data centers such as enterprise-level secured server systems. Such components include various ICs and electronic accessories such as mass storage, networking and server components. Our Data & Cloud products are mainly used in enterprise-level cloud storage system. Both completed and substantially assembled hardware for server and storage systems with RAID are on offer to suit customers' unique requirements and specifications. Our Data & Cloud products can be used independently in servers and mass storage systems and also serve to integrate the servers to mass storage systems and other peripheral devices.

Data & Cloud products offered by us include RAID controller cards, NIC cards, controller ICs, PCI express switch chips, networking processor, etc. During the Track Record Period, the selling price of Data & Cloud products offered by our Group ranged from approximately HKD12.6 (network IC on a standalone basis) to HKD227,497.0 (enterprise-level secured server and storage system).

According to the Frost & Sullivan Report, in general, data centers have a life span around seven to ten years. However, the life cycle of specific components of data centers is much shorter than their useful life. Reason include, for example, regular examination and maintenance are required during usage, and certain cost will be incurred. Maintenance are performed by service providers or engineering teams of electronic component distributors. Specific components will be replaced with new or advanced ones to ensure satisfied performance. Moreover, with increasing frequency in usage and more data being stored, additional servers and system upgrades may also be required to obtain storage space expansions and smooth operation of system. In this case, more electronic components and services provided by distributors are demanded.

(C) General Components

General component is a broad term to describe all other electronic components. Some of them are used in traditional electronic products with large and stable market demand, and they can be referred as legacy electronic components. For example, main chips for standard definition set-top boxes and DVD players, traditional power IC used in various electronic products. Some electronic components are used in new products, such as mobile devices, and normally with growing market demand. They are referred as high-growth electronic components. Touch sensors, fast-charging ICs, and main chips for high definition set-top boxes are examples of such components. Our Group also offers General Components including switches, connectors, passive components, main chips, sensors, power semiconductors, analog to digital converter etc. which are applicable to mobile and multimedia devices. During the Track Record Period, the selling price of our General Components ranged from HKD0.1 (switch used in mobile devices) to HKD5,000.0 (high-definition set-top box development platform).

According to the Frost and Sullivan report, the life span of legacy components is normally around seven to nine years, and their life cycle ends when the electronic products are disposed. However, as traditional electronic products are not updated or enhanced in functions as often as new electronic products, legacy components used by them therefore have a life cycle that are closer to their end of useful life. The life cycle normally is generally around three to six years. The life span of high-growth components is usually shorter than legacy products due to newer technology and higher frequency of usage. It is normally around four to six years. However, as such components are generally used in new electronic products, which are updated and outdated very fast with the development of technology and ever-changing customer demand. The life cycle of new electronic products and high-growth components is only around two to three years.

Product Application

Our products are generally applied to the production and assembling of enterprise-level secured server systems and electronic products used in our daily lives such as multimedia electronics and smart consumer electronic products, which could be broadly classified into three major types of applications by our Group, namely (i) multimedia devices; (ii) data centers; and/or (iii) mobile devices.

(1) Multimedia Devices Application

A multimedia device is a mixture of different media that is characterized by the ability to handle very diverse data types like audio, video, animation, images, and graphics. Types of multimedia devices include set-top boxes, smart TVs, Blu-ray players, VR devices, digital video cameras and gaming consoles, etc. These devices are becoming more commonly used, for instance, in education, business, entertainment and communication.

According to the Frost & Sullivan Report, the market trend of multimedia devices is expected to be developing in a positive fashion. For details please refer to the section headed "Industry Overview – Multimedia Devices" of this prospectus. Our Group therefore expects a growth in the demand for such end products which would in turn drive our Group to focus more on the products applicable to the multimedia devices segment.

(2) Data Centers Application

Data centers refer to the tremendous amount of secondary storage required by large enterprises, for example, banks and telecommunication operators are required to process and keep a vast quantity of information electronically in their day-to-day operations, giving rise to the demand for reliable, highly-secured and large capacity storage facility.

With the upsurge of cloud technology, the necessity of storage and the utilization of large amount of data, the data center segment is expected to soar. For details, please refer to the section headed "Industry Overview – Data Center" of this prospectus. As cloud technology are widely applied in all walks of life, the demand for cloud technology-related products are bound to rise.

(3) Mobile Devices Application

Mobile devices refer to portable computing devices, such as smart phones, tablets and smart wearables, which are widely used in this day and age. Since these mobile devices are designed to be portable, their carry parts and components are compact and small in sizes. Our Group offers Memory products such as eMMC, MMC, eMCP, MCP that would be well-suited for these devices.

As per the Frost & Sullivan Report, more wearable devices with diverse functions will be emerging. For details, please refer to paragraph headed "Mobile Devices" in the "Industry Overview" section of this prospectus. Our Group anticipates a growth in the demand of electronic components related to the mobile devices segment, which is in line with the market trend of this segment.

Warranty

Our Group does not offer any warranty for its products. Warranty is usually provided by the Upstream Manufacturers, and the terms and conditions of warranty and after sales services are dependable on the Upstream Manufacturers' policies. On average, product warranty and/or coverage period can last from one year to a maximum of three years, depending on the product type and the conditions of the Upstream Manufacturers.

As an alternative, our Group provides RMA services to its customers. The RMA services refer to the complimentary assistance provided by our Group to customers in liaising with Upstream Manufacturers, for replacement of defective or damaged components.

The terms of RMA policies vary among the Upstream Manufacturers. There is no fixed or written time frame for products to be replaced. Free replacement of components is subject to the Upstream Manufacturers' approval on a case-by-case basis. If the damage of the products is caused by our Group's customers, the Upstream Manufacturers may refuse to replace the products.

Products that are returned pursuant to RMA policies have no effect on our Group's accounts.

Pricing Policy

Our Group usually determines the price on a cost-plus basis. We generally take into consideration of various factors such as (i) prevailing market demand and supply, (ii) market prices for similar products, (iii) the quantity and required time of delivery, (iv) credit terms, (v) our relationship with the customer, (vi) the scope of technical supports and after-sales services required by our customers, etc. The cost-plus model involves calculations of our Group's cost of sales, overall administrative expenses, finance costs, and operating expenses. In any event, our Group shall pass any increases in procurement costs to the end customers by raising selling prices of our products sold to our customers; however, the selling price of our products are eventually determined based on the demand and supply in the market.

Generally, our Upstream Manufactures will offer us a lower unit price if the quantity and size of our order reached certain level as set by our Upstream Manufactures. When the prices offered to us by our Upstream Manufacturer fluctuate, our prices would be adjusted correspondingly. It is also our strategy to focus on identifying and sourcing products from brand name Upstream Manufacturers with higher market demand and sell at higher price and derive a higher profit margin. Our selling prices are generally affected by the Upstream Manufacturers' pricing, which is beyond our control, fluctuations in our purchase prices of electronic components that we are unable to pass on to our customers could adversely affect our profit margins and profitability. Consequently, our products may become less competitive in the market which cause a possible decrease in our profit margin. Our operational results are therefore indirectly affected by our Upstream Manufactures.

We relied on several number of major customers during the Track Record Period. The demand for our electronic products is generally volatile and the market prices for electronic products and components are affected by changes in market demand, which is beyond the control of our Group. Any significant reduction of our purchase orders from our major customers or any termination of business relationship between our major customers and us, our businesses, financial position and results of operations might be adversely affected. In particular, our business expansion and revenue growth have been rising, and we expect them to continue to be fostered by the rapid growth of the electronic components market in the PRC. The sales of our products generally involved a series of terms negotiation with our customers which include the prices and payment terms. Our Group has established a standard procedure and a written policy for evaluation of credit rating of customers. In general, new customers are unlikely to be granted credit terms (except those with listing status and those who are sizeable companies) and are requested to make payment in advance, which may affect our selling price and profit margin. Due to the electronic components products typically have a short product life cycle and are subject to the fast-paced evolving trends and new technologies, the inventories we possess are exposed to risk and may become legacy products from time to time. In the case that our inventory has become slow moving and/or obsolete items, we might derive a relatively lower margin or accept a loss from the sales of these inventories. If the drop in selling price is substantial, our Group may suffer loss from the sales and drop in inventory values and our Group's financial performance may be adversely affected. For details, please refer to section headed "Risk factor — Thin profit margins may affect the sustainability of our business model" in this prospectus.

According to the Frost & Sullivan Report, the current Chinese electronic components market comprises of large international distributors and a large number of domestic enterprises. In order to survive and achieve growth in this fierce competition, many distributors adopt a low profit margin strategy to win customers. Moreover, as the competition among Downstream Manufacturers is also escalating, selling prices of end products have been decreasing, which in turn leaves thinner margin for electronic components distributors.

Our Group generally maintains our gross profit margin level by adopting a cost-plus pricing model. Although our Group's gross profit margin is susceptible to movements in the purchase costs and other factors, our gross profit margin remained relatively stable ranging from approximately 4.6% to 5.5% during the Track Record Period.

Profitability strategies and measures

Our Group's ability to generate revenue and achieve profitability will depend on the performance of our existing business and products and the success of the implementation of our future business strategies. Our profitability of sales depends on the mixture of customers of products and pricing of the products which we sell to them. In the view of our Directors, along with our cost plus pricing policy above, our Group maintains a thin profit margin for our electronic components distribution business, which was in line with the industry norm.

Since the commencement of our business, our Group has adopted a low margin high volume business strategy, which has proven to be sustainable, to maintain our business operation and to capture the market growth from time to time. While our net profit margin remained relatively stable ranging from approximately 1.4% to 2.6% during the Track Record Period, our Group has demonstrated the ability to continuously boost our sales volume, resulting in a continuous growing amount of net profit after tax of approximately HKD11.3 million, HKD24.5 million, HKD44.8 million, HKD26.0 million and HKD33.8 million for FY2014, FY2015, FY2016, FP2016 and FP2017 respectively. For detailed analysis of the growth in our revenue, gross profit and net profit throughout the Track Record Period, please refer to "Financial Information – Discussion and analysis of financial position and financial performance of our Group".

For distributors like our Group in the electronic components industry, according to the Frost & Sullivan Report, to remain profitable, pursuing high volume of sales is a common practice in the industry. Moreover, improving the ability of forecasting the future trend of technology and distributing products that are largely demanded by the market, and developing technological capabilities in order to provide more value-added services, are also the approaches of distributors to realise more sales and profits.

It is our Group's on-going concern to enhance our profit and profitability. Our measures to pursue high volume of sales and improve our profitability are highlighted as follow:

– Actively identifying potential brand name Upstream Manufacturers and applying for Authorised Distributor status and bridging their products to the downstream markets where we are specialized at to pursue high growth in our sales;

– Broadening our customer base through expanding our product variety and become the bridge to match their needs with our upstream suppliers' products along with the provision of our technical supports;

– Targeting our sales and marketing to sizable customers in particular, Downstream Manufacturers and customers with listing status, in view of the relatively larger scale and stability of their orders and their credibility;

– Recruiting talents and providing internal and external trainings to our staff in developing our technological capabilities to provide value-added services, such as software upgrading, component replacement and emergency technical support, to both our suppliers and customers so as to cultivate long lasting business relationships;

– Selectively offering lower selling price (within certain range of positive profit margins) to customers who place orders with payment in advance or accept shorter credit terms and thus, we are able to maintain our growth in sales volume under less liquidity pressures as these customers will have to repay our Group in a shorter period of time which will contribute to minimising the overall mismatches between the trade receivable turnover days and the trade payable turnover days. As less bank borrowing and, thus, less finance costs will be required by our Group to cover such mismatch, eventually, such measures could contribute to improving our gearing and overall profitability;

– Closely monitoring our Group's inventory level and avoid placing orders to our Upstream Manufacturers for legacy products in the market with tendency of becoming slow moving and obsolete items;

– Maintaining a balance between our Group's business growth and liquidity risk through ensuring a sufficient and positive net cash position for our daily operation and regularly monitoring our liquidity measures including: debt to equity ratio, gearing ratio, current ratio, quick ratio, account receivable turnover days and account payable turnover days etc while substantially utilizing our available cash flow and working capital generated from our operating and financing activities in accordance with under our liquidity management policy as detailed below;

– Developing a market research division under our product development department to be established in the first quarter 2018 with the use of proceeds from the Listing for our Group to analyze the on-going trend of the electronic components market from time to time to provide information to the management to identify any profitable emerging products that fits our business model and for the management to react promptly in our product mix accordingly to boost up our sales volume and profit; and

– Closely following up the sales and inventory status of our customers on a regular basis and requesting purchase order forecasts in advance so as to allow us to have sufficient time to source out the products from our Upstream Manufactures with lower prices.

Liquidity Management Policy

According to the Frost & Sullivan Report, significant capital investment is necessary for market players of the electronic component distributing market. To remain competitive in the market, electronic component distributors generally need to retain high level of working capital to guarantee smooth business operation and support the growth in demand. Typically, electronic components distributors need capital for the early procurement of Upstream Manufacturer's products. At the same time, there is an industry norm that distributors always offer long credit period for downstream customers. Therefore, the gap between accounts receivable turnover days and accounts payable turnover days can sometimes result in high gearing ratio for distributors when they rely on borrowings to ease the pressure of cash flow.

In line with such market practice which indicates potential mismatches of trade receivable turnover days and trade payable turnover days and along with the significant growth in our sales and business operation, our Group had incurred significant amount of net cash used in our operating activities in order to finance the required working capital accordingly throughout the Track Record Period. Our net cash generated from/(used in) operating activities was approximately HKD32.0 million, HKD -64.4 million, HKD -71.4 million and HKD -238.6 million for FY2014, FY2015, FY2016 and FP2017, respectively. The further deteriorating net cash flow used in operating activities for FP2017 was mainly the results of the significant increase in our inventory levels, trade receivables, other receivables, deposits and prepayment. For detailed analysis of our net cash used in operating activities, please refer to the sections headed "Financial Information – Operating cash flow" of this prospectus. As a result of our continuously growing net cash used in our operating activities, our Group had maintained a high level of bank borrowing during the Track Record Period, indicating a deteriorating liquidity and gearing ratio.

For FY2014, FY2015, FY2016 and FP2017, our Group had bank borrowings of approximately HKD47.1 million, HKD117.0 million, HKD262.4 million and HKD520.3 million respectively. These banking facilities were mainly secured by our Group's trade receivables and properties in Hong Kong. For detailed analysis of our bank borrowings during the Track Record Period, please refer to the sections headed "Financial Information – bank borrowings" of this prospectus. Our gearing ratio as at 31 December 2014, 2015 and 2016 and 30 September 2017 was approximately 60.1%, 123.7%, 177.5% and 278.8% respectively. As at 30 September 2017, the further increase in our gearing ratio was driven by the significant increase in our total bank borrowings by approximately HKD257.8 million mainly in forms of factoring loans, and other bank loans in response to the increasing required working capital for inventory procurements. For detailed analysis of our gearing ratio, please refer to the sections headed "Financial Information – gearing ratios" section of this prospectus. With our Group's revenue continuously growing, very often the mismatch between account receivables and account payable turnover days would lead to higher gearing ratio and hence put us at liquidity risk. Despite short term loans could bridge this mismatch by way of cash inflow generated from our financing activities to allow us to continuously undertake the growing numbers of our customer orders, it also further enlarges our cash flow used in operating activities at the same time. In view of our Directors, we may face liquidity risk in our future operation and that our Group's liquidity may be further worsened as our business expands unless the Group obtains equity financing instead of debt financing. For details analysis of liquidity risk faced by our Group, please refer to the section headed "Risk Factors – We continuously maintain a high level of bank borrowings and our cost of borrowings is subject to the fluctuation in interest rate" of this prospectus. Although the amount of our debts have an ascending trend, our Directors were not aware of any difficulties in repaying and/or renewing our loans. During the Track Record Period, there was no occasion where our Group has defaulted in repayment or our customers had defaulted in payment of our trade receivables which were factored to our banks.

During the Track Record Period, our Group generally recognised trade payables to our suppliers upon the receipts of the products we purchased in preparation for purchase orders from our customers. Our Group offers various payment terms to customers and trade receivables would be recognised once our invoice is issued as our products were delivered. Our Group makes impairment of trade receivables based on the recoverability of the trade receivables. As at 31 December 2014, 2015, 2016 and 30 September 2017, the carrying amounts of our trade receivables before impairment loss were approximately HKD94.0 million, HKD172.7 million, HKD308.4 million and HKD532.4 million respectively. No impairment loss on trade receivables had been recognised in the combined statement of profit or loss and other comprehensive income in FY2014. Allowance for impairment of approximately HKD2.1 million was made on trade receivables at 31 December 2015, 2016 and 30 September 2017. During the Track Record Period, our Group had experienced trade receivables turnover days longer than our trade payables turnover days for FY2014, FY2015, FY2016 and FP2017, resulting in a potential cash flow mismatch of trade receivables turnover days and trade payables turnover days for the respective years, for details, please refer to "Financial information – Trade Payables – potential cash flow mismatch of trade receivables turnover days and trade payables turnover days" of this prospectus. Our Directors are of the view that the above turnover days should not indicate material liquidity pressure of our Group, in view of our ability to finance through factoring of trade receivables and import loans.

Factoring of Trade Receivables and other bank loans

To lower liquidity and credit risks, shorten the receivables collection duration and the cash conversion cycle and accelerate the availability of working capital, our Group has factored a substantial amount of our trade receivables to banks. As at the Latest Practicable Date, our Group had factoring arrangements with six banks under which the trade receivables of a few selected reputable customers are factored to these banks. Under the factoring arrangements, our Group firstly assigns the trade receivables of the selected customers to the banks. After assigning the trade receivables, our Group may draw factoring loans of approximately 80% – 90% of the value of the receivables factored at the discretion of our Group. Also, under the factoring arrangements, the credit cover percentage is approximately 80%-90% of the invoice amount. In case of default of the trade receivables, the factoring loans will be covered by insurance with the relevant bank as both the policy holder as well as beneficiary. However, according to our accounting policy, such transfers of account receivables and factor loans do not qualify for derecognition in the combined financial statements and still recognised as assets and liabilities respectively, as detailed under "Financial information – Trade receivables" and "Financial information – Bank borrowings" of this prospectus. The factoring facilities are secured by pledge of assets and personal guarantees executed by Mr. Lee, Ms. Lo, Mr. CH Lee and Mr. Pai. These liabilities of the factoring loans are derecognised when the obligations are discharged, cancelled or expired. As such, when our invoices, in other words, the assigned trade receivables have been subsequently settled in full by these customers or the ownership of which is eventually transferred out, these trade receivables and factoring facilities will therefore be derecognised from our combined financial statement. Approximately 0.35% to 0.50% and factoring loans on the invoice value was charged as service charge. The effective annual interest rate of the factoring loans calculated as the factoring interest expense divided by the average of beginning and ending factoring loan balances was approximately 2.2%, 2.0% and 2.3% for each of FY2014, FY2015 and FY2016 respectively. The credit terms of the trade receivables factored range from 30 days to 120 days after monthly statement. As at 31 December 2014, 2015, 2016, 30 September 2017, trade receivables of our Group with an aggregate carrying amount of approximately HKD39.0 million, HKD116.6 million, HKD214.5 million, HKD419.0 million respectively have been assigned to financial institutions to secure the factoring loan facilities of our Group, representing approximately 41.5%, 68.3%, 70.0%, 79.0% of our Group's trade receivables respectively. During the Track Record Period, our Group also obtained other bank loans in forms of import loans, trust receipts loans and bank installment loans, as detailed under the section headed "Financial Information – Bank Borrowings" of this prospectus.

During the Track Record Period, we had not experienced any problem in settling our payables in the normal course of business and repaying our bank borrowings when they fall due. Based on (i) the historical settlement record of our customers, (ii) the cash level maintained by us from time to time, (iii) our current inventory level and purchase orders on hands which are expected to be recognised as our revenue subsequently (iv) our short inventory turnover day and (v) our stable and positive net profit margin, our Directors consider that there will not be any difficulty in repaying our payables and bank borrowings in the future. Further, our Directors are of the view that we have maintained sufficient working capital and do not have liquidity problems. Based on our satisfactory credit records, the sustainable growth in our turnovers, our relationship with the banks and the sound credit profiles of our major customers and, in particular, we have been granted banking facilities by some of our banks for more than 10 years with increasing credit limit year by year, our Directors confirmed that we are not aware of any difficulties in renewing our bank borrowings upon maturity when necessary.

Our Group have put in place the following measures to strengthen our liquidity management:

– We closely monitor and strengthen our liquidity position, both in short run and long run by evaluating the sufficiency of the working capital and the utilization of borrowings daily. The daily bank balance are monitored by the management through our internal records as well as e-banking account. When there is a potential shortfall in our cash position being identified, we would strive to negotiate for early settlement from our customers and/or request a longer credit period from our suppliers in order to mitigate the mismatches of trade receivable turnover days and trade payable turnover days. When necessary, we might also draw on unutilized credit lines and/or apply for extension of credit lines from financial institutions as well as the use of equity financing (if available), in mitigating the effect of fluctuations in cash flow;

– We have an internal control system to monitor the ageing analysis of both trade receivables and payables at the end of each month. The ageing analysis of both trade receivables and payables will be submitted to the management for review and approval regularly;

– Our accounts department prepares monthly trade receivables aging report to be reviewed by our senior management and issues reminder for payment if overdue amount lasts for more than one month, indicating that we reserve our right to impose additional interest on the overdue amount and may take legal action if the delay in repayment persist;

– For the trade receivables past due, material overdue payments are monitored continuously and evaluated on a case-by-case basis with appropriate follow-up actions based upon the customer's normal payment processing procedures, our relationship with the customer, its history of making payments, its financial position as well as the general economic environment. Follow-up actions to recover overdue trade receivables include (i) active communications with the customers' appropriate personnel such as the relevant department responsible for processing payments; (ii) stop processing any further purchase orders from such customer until the overdue balance is recovered; (iii) review the recoverable amount of each individual trade receivable balance at the end of each reporting period to ensure adequate impairment losses are provided for irrecoverable amounts; and (iv) seeking legal advices when necessary; and

– If any receivables past due cannot be recouped and if our Group did not possess sufficient working capital to pay to our suppliers on a timely basis, our Group will need to make use of the unutilised banking facilities to pay our suppliers as detailed under the section headed "Financial Information – Indebtedness" of this prospectus.

Seasonality

Our Directors perceive that our Group's sales and financial performance are affected by seasonal fluctuation. It is our Group's experience that our Group's sales showed a seasonal fluctuation over a year. Our Group's sales are generally lower in the first quarter of each year than other quarters. Our Directors believe that it is primarily attributed to the stoppage of production of electronic products in most factories in the PRC, a principal market of our Group, during the Chinese New Year holidays. The stoppage will usually last one to two weeks' time. Our sales are generally higher in the second half of each year, our Directors believe that it is attributable to the increase in procurement volume of our customers who are Downstream Manufacturers of consumer electronics. The demand for consumers electronics are usually higher closer to the holiday seasons in December and January.

Market and Competition

According to the Frost & Sullivan Report, the PRC as one of the largest electronic product manufacturing and consumption country, has been experiencing notable growths in the sales value of electronic components. The sales value attributable to distributors is substantial. The total sales value of electronic components distributors was HKD2,258.40 billion in 2016. Further details and market trend of our key segments and strategic segments can be found in the paragraphs headed "Overview of Key Applications of Electronic Components in Mainland China and Hong Kong" in the "Industry Overview" section of this prospectus.

Our Directors believe that competition within the industry will always exist, and the market that our Group is servicing is highly fragmented. Hence, there is always room to expand and develop. Most importantly, most of our Group's suppliers which are brand name Upstream Manufacturers do not normally allocate same products to different distributors that may sell to common end user customers in order to avoid internal competition amongst distributors. This way, these Upstream Manufacturers could better monitor their products within a specific market and/or region.

Our Group has been focusing on products in respect of the IoT market. According to the Frost & Sullivan Report, with the IoT and the continuing evolution of the IT sector, the market for IC products will only increase exponentially. The overall market for such products would be positively affected in the foreseeable future, however, it is important for the companies to accurately predict the up and coming popular products and applications.

CUSTOMERS

As at Latest Practicable Date, we had over 300 customers, including (i) Downstream Manufacturers and (ii) other distributors. While most of which are based in the PRC, over 60% of our overall revenue in FY2014 and FY2015 were derived from Downstream Manufacturers while for FY2016 over 81% of our overall revenue were derived from Downstream Manufacturers. A number of our Group's customers are listed companies (or subsidiaries of listed companies) in Hong Kong, the PRC, Taiwan, Singapore and the USA. The total revenue from customers who are listed companies (or their subsidiaries) amounted to approximately 53.0%, 60.0%, 65.0% and 63.8% for FY2014, FY2015, FY2016 and FP2017 respectively.

We are of the view that maintaining stable and long-term business relationship creates economies of scale and cost-effectiveness on communication, distribution and compatibility. During the Track Record Period, the revenue generated from recurring customers for each of FY2014, FY2015, FY2016 and FP2017 amounted to approximately HKD704.6 million, HKD842.1 million, HKD1,206.0 million and HKD1,487.1 million respectively, representing approximately 90.3%, 75.1%, 70.8% and 75.3% of the total revenue of our Group for the corresponding years/period.

(i) Downstream Manufacturers

Our Downstream Manufacturers refer to customers who use components from different sources in manufacturing and assembling electronic products of the categories of multimedia devices, data centers and mobile devices. Downstream Manufacturers are the significant and constant sources of revenue for electronic component distributors in view of the strong demand for their products in their respective electronic products market. According to the Frost & Sullivan Report, in the PRC and Hong Kong, there are around 3.2 million Downstream Manufacturers in 2016 ranging from large blue-chip manufacturers to medium and small sized businesses. Such enterprises are engaged in manufacturing various types of electronic products, among which electronic communication equipment and consumer electronics have been experiencing the greatest development and increasing market demand. Some electronic products that are warmly welcomed by Chinese consumers and believed to drive the growth of the entire electronics market, such as set-top boxes, smart TV, and mobile devices including smartphones etc. The increasing popularity of electronic products boost the market demand for electronic components. During the Track Record Period, over 60% of our overall revenue were derived from Downstream Manufacturers. For FY2014, FY2015, FY2016 and FP2017, approximately 61.1%, 76.0%, 81.6% and 89.0% of our Group's total revenue, respectively, were generated from Downstream Manufacturers. During the Track Record Period, an increasing of our sales are to Downstream Manufacturers who are listed companies (or subsidiaries of listed company), amounted to approximately HK$270.6 million, HK$573.9 million and HK$1,007.8 million, and HK$1,200.3 million for the FY2014, FY2015, FY2016, and FP2017 respectively representing approximately 56.8%, 67.3%, 72.5% and 68.3% of our revenue derived from Downstream Manufacturers for the respective periods. These Downstream Manufacturers were procured by our Group mainly through our own sales team or referral by customers or suppliers as well as by participating in exhibitions and trade fairs or through HKEIA. The PRC has a large consumption power of semiconductors as well as substantial number of Downstream Manufacturers, and therefore the demand for semiconductors is huge. For Downstream Manufacturers in the PRC, they do not easily switch their suppliers, especially those Downstream Manufacturers and electronic components retailers with established and stable business.

To the best of the Directors' knowledge, and after making reasonable enquiry, during the Track Record Period and up to the Latest Practicable Date, we are not aware that our directors, senior management or any of their respective associates, has any interest in any of our Downstream Manufacturers.

(ii) Other distributors

Other distributors refer to electronic components distributors whose principal business are sale and purchase of semiconductor and/or other electronic components. Generally, they do not possess an Authorised Distributor status of a particular Upstream Manufacturers. Their corresponding customer base typically include Downstream Manufacturers and other distributors who are not an Authorised Distributor of a particular electronic component. The structure of electronic components distribution channel is very dispersed and complicated with different types and scales of distributors. Brand name Upstream Manufacturers usually have their Authorised Distributors, like our Group, such distributors make sales directly to large Downstream Manufacturers, or act as primary distributors and make sales to other electronic components distributor and independent design houses. Some distributors do not have the resources to satisfy brand name Upstream Manufacturers' requirements, they usually source semiconductor or components from other electronic components distributors, and make sales to small to medium Downstream Manufacturers as well as electronic components retailers. During the Track Record Period, we had maintained customer and supplier relationship with a list of electronic component distributors like our Group. According to the Frost & Sullivan Report, in electronic components distribution industry, it is common that distributors will trade with each other. Here are some scenarios:

- In view of an urgent and large order from Downstream Manufacturer to a distributor, there may be a temporary shortage in supply in the normal supply chain when the distributor and electronic components manufacturer both run out of buffer stock. It may take up to several weeks for a new batch of electronic components to be manufactured. Thus, the electronic components manufacturer may seek for buffer stock from other distributors and facilitate a trade between two distributors.

- When a particular order from an Downstream Manufacturer is relatively small in quantity, the distributor may choose to ride on a bigger purchase order from another distributor to the electronic components manufacturer.

- When an Downstream Manufacturer requests a certain product from a distributor and the distributor is not an Authorised Distributor of that product, the distributor will need to purchase such products from another distributor who is Authorised Distributor.

- Downstream Manufacturers will only maintain a relationship with a manageable amount of electronic components distributors. This is done by assigning vendor codes to their suppliers, ie. the distributors. Distributors with no vendor code assigned will not be allowed to supply products to that Downstream Manufacturer. In case the Downstream Manufacturer needs to source products from a distributor currently not assigned any vendor code, the products will need to be sold to a distributor with vendor code and then sold to the Downstream Manufacturer.

Approval Process by our customers

Designing and manufacturing of electronic products sometimes involve a high level of sophistication. The end-products of our customers may involve the assembly of various components from different Upstream Manufacturers. Due to the complexity in the designing and manufacturing of electronic products and the customers' needs for quality control, our Group's customers usually impose an approval process on their intended suppliers based on criteria in various aspects of the suppliers' businesses including resources, quality assurance, track records, environmental concerns and social responsibility. During the approval process, our Group is required to provide the potential customers with supporting documents such as statutory and accounting records and/or such other kind of documents as the potential customers may think necessary for their approval.

Our customer will ascertain our Authorised Distributor status by conducting a search on the Upstream Manufacturers' website or by calling these Upstream Manufacturers. In addition, the customer will request our Group to fill out in their suppliers' forms and then they will check the information with the relevant Upstream Manufacturers and banks to verify our Group's reliability as their supplier.

The approval process imposed by our customers takes up to two months, with some exceptional cases which may take longer to complete, depending on customer's satisfaction. As confirmed by our Directors, we are deemed to be approved when order is placed to us by our customer, and no formal approvals are usually granted.

Major Customers

For FY2014, FY2015, FY2016 and FP2017, our Group's five largest customers accounted for approximately 44.8%, 58.0%, 44.6% and 43.3% of our total revenue, respectively, with the largest customer accounted for approximately 12.7%, 13.3%, 17.5% and 11.0% of our total revenue, respectively.

Save as disclosed in this prospectus, to the best of the Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date, none of the Directors or their respective close associates or any person who, to the knowledge of the Directors, owned more than 5% of our Group's issued share capital or of any of our Group's subsidiaries, had any interest in any of our Group's five largest customers.

Our Group's top five customers during the respective years of the Track Record Period include:

Customer[1]	Sales *(HKD million)*	Percentage of Our Group's Total Sales	Types of Products Purchased from Our Group	Business Relationship with Our Group since	Credit Terms	Payment Method
FY2014						
AVTE[2]	98.8	12.7%	Data & Cloud products and General Components	2005	Net payment is due within 14 days after date of invoice	Cheque
Customer B[3]	96.6	12.4%	Memory products and General Components	2013	Post-dated cheque in 75 days after date of invoice	Cheque
Customer A[4]	72.2	9.3%	Data & Cloud products	2007	Net payment is due within 60 days after date of invoice	Telegraphic Transfer
Customer C[5]	43.4	5.6%	Data & Cloud products	2010	Net payment is due within 60 days after date of invoice	Telegraphic Transfer
Customer I[6]	38.5	4.9%	Memory products	2013	Post-dated cheque in 30 days after delivery	Cheque

Customer[1]	Sales (HKD million)	Percentage of Our Group's Total Sales	Types of Products Purchased from Our Group	Business Relationship with Our Group since	Credit Terms	Payment Method
FY2015						
Customer A[4]	148.8	13.3%	Data & Cloud products	2007	Net payment is due within 60 days after date of invoice	Telegraphic Transfer
Customer B[3]	139.3	12.4%	Memory products and General Components	2013	Post-dated cheque in 75 days after date of invoice	Cheque
Customer F[7]	133.6	11.9%	Memory products	2013	Payment due 60 days after monthly statement	Telegraphic Transfer
Customer D[8]	120.7	10.8%	Data & Cloud products	2015	Net payment is due within 60 days after date of invoice	Telegraphic Transfer
Customer E[9]	107.3	9.6%	Data & Cloud products and General Components	2009	Net payment due within 30 days after the date of invoice	Telegraphic Transfer

Customer[1]	Sales *(HKD million)*	Percentage of Our Group's Total Sales	Types of Products Purchased from Our Group	Business Relationship with Our Group since	Credit Terms	Payment Method
FY2016						
Customer D[8]	297.4	17.5%	Data & Cloud products	2015	Net payment due within 60 days after the date of invoice	Telegraphic Transfer
Customer F[7]	139.1	8.2%	Memory products	2013	Payment due 60 days after monthly statement	Telegraphic Transfer
Customer G[10]	115.6	6.8%	Memory products and General Components	2014	Net payment due within 45 days after the date of invoice	Telegraphic Transfer
Customer B[3]	106.8	6.3%	Memory products and General Components	2013	Post-dated cheque in 75 days after date of invoice	Cheque
Customer H[11]	100.2	5.9%	General Components	2015	Payment due 30 days after monthly statement	Telegraphic Transfer

Customer[1]	Sales (HKD million)	Percentage of Our Group's Total Sales	Types of Products Purchased from Our Group	Business Relationship with Our Group since	Credit Terms	Payment Method
FP2017						
Customer D[8]	217.5	11.0%	Data & Cloud products	2015	Net payment due within 60 days after the date of invoice	Telegraphic Transfer
Customer K[13]	205.1	10.4%	Memory products	2017	Post-dated cheque in 30 days after delivery	Cheque
Customer J[12]	196.3	9.9%	Memory products	2016	Net payment due within 60 days after the date of invoice	Telegraphic Transfer
Customer G[10]	140.8	7.1%	Memory products and General Components	2014	Net payment due within 45 days after the date of invoice	Telegraphic Transfer
Customer L[14]	97.3	4.9%	General Components	2017	Net payment due within 120 days after the date of invoice	Telegraphic Transfer

Notes:

(1) To the best knowledge our Directors, some of our customers are associated with each other. As such, some of our customers are grouped together with their respective affiliated and related companies.

(2) Please refer to the section headed "Business – AVTE".

(3) Customer B consists of Customer B1, Customer B2 and Customer B3 (since 2015). Customer B1 is a listed company in the A share market of Shanghai Stock Exchange engaged in the production of wideband communication terminal products (employees: note less than 10,000; reported revenue in 2016: approximately RMB6.5 billion). To the best knowledge of our Directors, Customer B1 is the sole shareholder of both Customer B2 and Customer B3.

(4) Customer A is a PRC based private company which is engaged in the distribution of storage system and provision of cyber security (employees: not less than 20; revenue for the year ended 31 December 2016: approximately RMB800 million).

(5) Customer C is a PRC-based private automobile trade company owned by the PRC government engaged in the trading of automobiles and parts (employees: not less than 200; revenue for the year ended 31 December 2016: approximately RMB1 billion).

(6) Customer I is a listed company in NEEQ engaged in providing electronics solutions and original design and manufacturing, including consumer electronics and intelligent end products such as tablets and handheld smartphones (employees: not less than 350; reported revenue in mid 2017: RMB205.7 million).

(7) Customer F consists of Customer F1, Customer F2, Customer F3 and Customer F4. Customer F1 is a subsidiary of a listed company in the A Share market of Shanghai Stock Exchange engaged in the design and manufacture of telecommunication products (employees: not less than 20,000; reported revenue in mid 2017: RMB52.2 billion). Customer F2 is a private company focusing on wholesale distribution of electronic parts and communications equipment. Customer. F3 is a private company engaging in import and wholesale of electronic components and parts such as ICs. Customer F4 is a subsidiary of a listed company in Hong Kong engaging in provision of solutions in audio and video products.

(8) Customer D is a listed company in the Main Board of the Shenzhen Stock Exchange engaged in providing total solution and cloud computing services (reported revenue in 2016: RMB12.7 billion).

(9) Customer E is a private trading company established in Hong Kong engaged in the distribution of Data & Cloud products and General Components (employees: not less than 15; revenue for the year ended 31 December 2016: not less than HKD10 million).

(10) Customer G is a listed company in NEEQ engaged in the research, development, production and sale of telecommunication products (employees: not less than 3,000; revenue for the year ended 31 December 2016: approximately RMB2.5 billion).

(11) Customer H is a subsidiary of a listed company in the A Share market of Shenzhen Stock Exchange engaged in providing solutions to electronic control system of new energy vehicles (reported revenue in 2016: RMB69.1 billion).

(12) Customer J is a listed company in NEEQ engaged in development and operation of interactive TV terminal and system platform (employees: not less than 2,000; reported revenue in 2016: RMB926.7 million).

(13) Customer K is a private company established in the PRC engaged in supply of household multimedia terminal products and provision of related service (employees: not less than 1,600; revenue for the year ended 31 December 2016: approximately RMB1.4 billion).

(14) Customer L is a subsidiary of a listed company in the main board of the Stock Exchange engaged in production and sales of flat TVs and LCD modules (the group's employees: not less than 30,000; group's reported revenue in 2016: approximately US$ 9.8 billion).

We generally do not have any long-term or master purchase agreement for guaranteed amount of supplies with our customers. Customers place orders with our Group on each single purchase. The way they place order varies. Depending on the business practice of the individual customers, some of them may enter into a one-off contract with our Group while the others may simply place a purchase order.

Set out below are some standard terms contained in the orders from our customers:

Payment term:	ranging from payment in advance from one day to 120 days after the issue of our monthly statement
Packaging:	our Group shall ensure that packaging of the products are in accordance with our customers' specification
Environmental Protection:	goods supplied shall be subject to Restriction of the Use of Certain Hazardous Substances ("RoHS") compliant

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had not experienced any cancellation of orders from our customers.

Sales Terms

Most of our Group's sales payments are denominated in US dollars. Save for customers of larger scale and/or with listing status, payment in advance is normally required for our new customers as they have no historical transaction with our Group. The credit terms given to our customers vary from 1 day to 120 days after the issue of our monthly statement depending on:

(i) the duration of our business relationship;

(ii) the stability of the customers' businesses, (e.g. our Group may offer a relatively longer credit term to customers who are publicly listed companies);

(iii) transaction volume with our Group and the corresponding profit margin; and

(iv) the eligibility of the customers in obtaining credit coverage insurance.

Our Group has implemented know-your-customer (KYC) internal procedures before making sales to our customers. Our Group would require customers to provide their financial statements and other related documents for credibility and/or background checks. Our finance department is responsible for conducting financial searches on the customers. Further, through business meetings with our potential customers, we could try to understand the nature of their business, business model and their customer base. Upon the receipt of the relevant documents from the customers, our finance department will review the data with our senior management for the purpose of determination of credit terms.

SUPPLIES AND PROCUREMENT

Our Group procures products from over 40 suppliers principally from Taiwan, Japan, Korea, the United States and the PRC and had approximately 48, 41, 47 and 44 suppliers in FY2014, FY2015 FY2016 and FP2017 respectively. These suppliers comprised brand name Upstream Manufacturers and other distributors who are not an Authorised Distributor of a particular Upstream Manufacturers. As at the Latest Practicable Date, we were an Authorised Distributor of 26 brand name Upstream Manufacturers. Our Group enjoys relatively long-term and stable relationship with our major suppliers for up to 12 years. Among these suppliers, only a few of them require written agreements with our Group. Our Group also has strict evaluation system in managing our suppliers. During the Track Record Period, our Group had all suppliers on its list of approved suppliers. For details, please refer to the section headed "Business - business model - Supplier and products sourcing" in this prospectus.

A small portion of our Group's suppliers do not follow any customer approval procedures. Nevertheless, the Directors believe that the existence of customer approval procedures is a common industry practice. In order to maintain its status as an approved customer, our Group would ensure timely payments of its purchases are made to the suppliers.

In the event our Group is not an Authorised Distributor of an Upstream Manufacturer, our Group may purchase such product from other distributor who is an Authorised Distributor of the particular Upstream Manufacturers. During the Track Record Period, we had not been turned down for renewal of our Authorised Distributor status by any brand name Upstream Manufacturers. We rely on the suppliers for their quality goods to uphold our competitiveness, thus our Group emphasizes on maintaining a long and stable relationship with our suppliers.

Major Suppliers

For FY2014, FY2015, FY2016 and FP2017, our Group's purchases from our five largest suppliers amounted to approximately HKD594.0 million, HKD945.6 million, HKD1,507.2 million and HKD1,728.2 million, representing approximately 81.4%, 87.6%, 90.7% and 88.3% respectively. Purchases from the largest supplier in FY2014, FY2015, FY2016 and FP2017 amounted to approximately HKD288.2 million, HKD345.5 million, HKD512.9 million and HKD943.7 million respectively, representing approximately 39.5%, 32.0%, 30.8% and 48.2% of the corresponding years/period.

During the Track Record Period, our Group had not encountered any material disruptions to its business as a result of shortage of supplies. Our Group has not experienced and did not envisage any material difficulties in procuring products for our customers.

Our Group's top five suppliers during the respective years of the Track Record Period include:

Supplier[1]	Purchase *(HK$ million)*	Percentage of our Group's total purchases	Product categories sold to our Group	Business relationship with our Group since	Credit terms	Payment method
FY2014						
Supplier A[2]	288.2	39.5%	Memory products	2010	Net payment due within 30 days after the date of invoice	Telegraphic Transfer
Supplier B[3]	177.0	24.2%	Data & Cloud products	2011	Net payment due within 30 days after the date of invoice	Telegraphic Transfer
Supplier C[4]	51.2	7.0%	General Components	2011	Net payment due within 30 days after the date of invoice	Telegraphic Transfer
AVTE[5]	39.8	5.5%	Memory products and Data & Cloud products	2005	Net payment due within 14 days after the date of invoice	Cheque
Supplier D[6]	37.9	5.2%	Memory products and General Components	2005	Net payment due within 60 days after the date of invoice	Telegraphic Transfer

Supplier[1]	Purchase (HK$ million)	Percentage of our Group's total purchases	Product categories sold to our Group	Business relationship with our Group since	Credit terms	Payment method
FY2015						
Supplier A[2]	345.5	32.0%	Memory products	2010	Net payment due within 30 days after the date of invoice	Telegraphic Transfer
Supplier E[7]	275.5	25.5%	Data & Cloud products	2015	Net payment due within 30 days after the date of invoice	Telegraphic Transfer
Supplier B[3]	189.5	17.6%	Data & Cloud products	2011	Net payment due within 30 days after the date of invoice	Telegraphic Transfer
Supplier F[8]	103.8	9.6%	Memory products	2010	Net payment due within 30 days after the date of invoice	Telegraphic Transfer
Supplier G[9]	31.3	2.9%	Memory products	2014	Net payment due within 7 days from the date of invoice	Cheque

Supplier[1]	Purchase (HK$ million)	Percentage of our Group's total purchases	Product categories sold to our Group	Business relationship with our Group since	Credit terms	Payment method
FY2016						
Supplier E[7]	512.9	30.8%	Data & Cloud products	2015	Net payment due within 30 days from the date of invoice	Telegraphic Transfer
Supplier A[2]	468.2	28.2%	Memory products	2010	Net payment due within 30 days from the date of invoice	Telegraphic Transfer
Supplier H[10]	383.5	23.1%	Memory products	2016	Net payment due within 30 days from the date of invoice	Telegraphic Transfer
Supplier I[11]	79.2	4.8%	Memory products	2015	Net payment due within 30 days after the date of invoice	Telegraphic Transfer
Supplier F[8]	63.4	3.8%	Memory products	2010	Net payment due within 30 days after the date of invoice	Telegraphic Transfer

Supplier[1]	Purchase *(HK$ million)*	Percentage of our Group's total purchases	Product categories sold to our Group	Business relationship with our Group since	Credit terms	Payment method
FP2017						
Supplier H[10]	943.7	48.2%	Memory products	2016	H1: Net payment due within 45 days from the date of invoice H2: Net payment due within 60 from the date of invoice H3: Payment in advance	Telegraphic Transfer
Supplier E[7]	390.8	20.0%	Data & Cloud products	2015	Net payment due within 30 days after the date of invoice	Telegraphic Transfer
Supplier I[11]	166.9	8.5%	Memory products	2015	Net payment due within 30 days after the date of invoice	Telegraphic Transfer
Supplier A[2]	161.6	8.3%	Memory products	2010	Net payment due within 30 days after the date of invoice	Telegraphic Transfer
Supplier J[12]	65.3	3.3%	Memory products	2016	Cash on delivery	Telegraphic Transfer

Notes:

(1) To the best knowledge our Directors, some of our suppliers are associated with each other. As such, some of our suppliers are grouped together with their respective affiliated and related companies.

(2) Supplier A is a leading memory semiconductor provider with six Authorised Distributors in the PRC and Hong Kong as at the Latest Practicable Date whose shares are listed on the Taiwan Stock Exchange (employees: not less than 2,600; reported revenue in 2016: NT$41.6 billion).

(3) Supplier B is a storage and data management company with six Authorised Distributors in the PRC and Hong Kong as at the Latest Practicable Date. It is a member of NASDAQ and a component stock of the S&P 500, and has ranked in the Fortune 500 since 2012 (employees: not less than 10,000; reported revenue for the year ended 28 April 2017: US$5.5 billion).

(4) Supplier C is a semiconductor solutions provider for the connected home. It was a member of NASDAQ and it was acquired in 2015 by a company listed on the New York Stock Exchange (reported revenue in second quarter of 2017: US$104.2 million).

(5) Please refer to the section headed "Business – AVTE" of this prospectus.

(6) Supplier D consists of Supplier D1 and Supplier D2. Supplier D1 a subsidiary of a company listed on the Tokyo Stock Exchange engaged in manufacturing consumer electronic components (employees: not less than 38,000; reported revenue for the year ended 31 March 2017: JPY638.9 billion). Supplier D2 is a private company focusing on supply of Memory products.

(7) Supplier E is a digital and analog semiconductors supplier. It is a member of the NASDAQ-100 and S&P 500 (employees: not less than 13,000; reported revenue for the year ended 30 October 2016: US$13.2 billion).

(8) Supplier F is a memories and mixed signal products provider. It is listed in the Taiwan Stock Exchange market with 10 Authorised Distributors in the PRC and Hong Kong as at the Latest Practicable Date (employees: not less than 400; reported revenue in 2016: TW$9.3 billion).

(9) Supplier G is a private company incorporated in Hong Kong engaged in the distribution of Memory products and other components (employees: not less than 10; revenue for the year ended 31 December 2016: not less than HK$100 million).

(10) Supplier H consists of Supplier H1, Supplier H2 and Supplier H3 (since 2017). Supplier H1 is a manufacturer of a wide range of eMCP based in Taiwan. Supplier H2 is the world's largest independent manufacturer of memory products based in California, regroup as one of the "Best Companies to Work for in America" by Fortune magazine (employees: not less than 3,000; revenue for the year ended 31 December 2016: approximately US$6.6 billion). Supplier H3 is a private company focusing on supply of Memory products.

(11) Supplier I is a private company incorporated in Hong Kong engaging in the distribution of memory products and other components (employees: not less than 40; revenue for the year ended 31 December 2016: not less than HK$80 million).

(12) Supplier J is a subsidiary of a company listed on the Korea Stock Exchange engaged in the manufacturing of semiconductor modules (employees: not less than 90; revenue for the year ended 31 December 2016: approximately US$600 million).

We generally do not enter into any long-term or master purchase agreement for guaranteed amount of supplies with our major suppliers and our purchase of electronic components are only made on individual orders basis. However, our Group would maintain approximately one month of inventory level so as to meet its customers' order in a timely manner.

Some of our Group's suppliers would enter into distribution or licence agreements on a non-exclusive basis with our Group containing general terms such as market promotion, monthly forecast, inventory reporting and confidentiality responsibility. However, these distribution or licence agreements do not specify any stated purchase commitment. Our Group places separate purchase orders to its suppliers for each purchase. Contract prices are determined after arms-length negotiations when an order is placed by our Group.

Similar to purchase orders made by customers to our Group, our Group placed its purchase orders to the suppliers containing similar terms, for instance, items, payment terms, currency, shipping methods, delivery schedule and delivery address. It will be binding on the parties once they are signed and/or stamped by the parties.

Overlapping of Major Suppliers and Customers

Due to the business nature of electronic distributors, some of our major customers of our electronic components during the Track Record Period were also our suppliers during the same period, for details of business nature of other distributors, refer to "Business – Customer – Other distributors" of this Prospectus. Our Directors are of the view that our Group can be benefited from this customer-supplier relationship with our major customers and suppliers where we can make use of our business relationship to maintain and secure a stable sourcing network while enhancing our source of revenue.

AVTE

Mr. Lee established AVTE in March 1993 to engage in the business of trading electronic components. Since May 2000, in order to focus on the management of Mr. Lee's family business in property investments, Mr. Lee and Ms. Lo gradually disposed of their shareholding interests in AVTE and they ceased to hold any shareholding interest in AVTE by July 2012. As at the Latest Practicable Date, AVTE was a subsidiary of CIL. Ms. Lo, the spouse of Mr. Lee, had been the executive director and the deputy chairman and acting chief executive officer of CIL from 19 April 2010 to 5 June 2013. As at the Latest Practicable Date, Ms. Lo Yuen Chung, the sister-in-law of Mr. Lee, was an executive director of CIL. As at the Latest Practicable Date, Mr. Lee and Ms. Lo in aggregate held approximately 0.13% of CIL's total issued share capital and it is the intention of Mr. Lee to sell his remaining interest in CIL before Listing.

AVTE is principally engaged in providing IC solutions and distributing electronic components. The Master Agreement was terminated on 30 June 2015 and was not renewed upon its expiry, as it is not necessary for our Group to purchase products through AVTE and at the same time, selling products to AVTE with a minimal 1% profit margin. The business relationship with AVTE was terminated and it is considered a discontinued connected transaction.

As at 31 December 2014, AVTE was the fourth largest supplier of our Group. Its corresponding purchase figures contributed approximately 5.5% of the total purchases of our Group, which is equivalent to HK$39.8 million.

For FY2014 and FY2015, AVTE was one of our major customers.

AVTE had been both a customer and a supplier of our Group since 2005. Throughout the Track Record Period our Group had been mainly providing certain specific digital storage products to AVTE before it ceased the business relationship with AVTE during FY2015. It is considered as a discontinued connected transaction to our Group. For FY2014 and FY2015, AVTE was the first and eighth largest customer of our Group respectively. Its corresponding sales figures contributed approximately 12.7% and 4.3% of the total sales of our Group, which is equivalent to HKD98.8 million and HK$47.9 million respectively. To the best knowledge of the Directors, save for customer B1 and Supplier F which used to be a customer and supplier of AVTE respectively, the Group and CIL or AVTE did not share the same customers and suppliers during the Track Record Period and up to the Latest Practicable Date.

On 25 November 2010, AVT International entered into the Master Agreement with AVTE pursuant to which (1) AVT International has agreed to sell and AVTE has agreed to purchase certain specific products ordered by AVTE and procured by AVT International from its suppliers to which AVT International is an Authorised Distributor; and (2) AVT International has agreed to purchase and AVTE has agreed to sell certain products ordered by AVT International and supplied by AVTE to which AVTE is an Authorised Distributor, during the term of the Master Agreement on an order-by-order basis.

Our Group entered into the Master Agreement with AVTE in order to purchase from certain Upstream Manufacturer of which our Group was not an Authorised Distributor. As our Group has become an Authorised Distributor of these Upstream Manufacturer subsequently, the Master Agreement was not renewed upon its expiry on 30 June 2015 and no other agreement was entered into with AVTE since then.

Our Directors confirmed that negotiations of the terms of our sales to and purchases from AVTE were conducted were on individual basis with mutual reliance and the sales and purchases were neither inter-connected nor inter-conditional with each other.

The terms of transactions with this customer are similar to those transactions with our other customers and suppliers. Our sales invoices to such customers are standardised invoices consistent with other major customers of our Group. Our Directors confirmed that, during the Track Record Period, the products we purchased from this customer were not subsequently sold to the same customer, nor vice versa. None of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owns more than 5% of our Group's issued share capital or any of our Group's subsidiaries, had any interest in AVTE as at the Latest Practicable Date. Sales to this customer who was also a supplier attributed to approximately 12.7% and 4.3%, respectively, of our total turnover for each of FY2014 and FY2015. The amount of purchases from this customer who was also a supplier attributed to approximately 5.5% and 0%, respectively, of our total purchases for each of FY2014 and FY2015. Our gross profit derived from the sales of products to this customer were approximately HKD1 million and HKD0.5 million respectively, for each of FY2014 and FY2015, and our gross profit margin for the sales of products to this customer were approximately 1% and 1%, respectively, for the same periods. The amount payable to us by this customer is generally settled on a net basis against the amount payable by us to such customer for the electronic components we procure from them.

Customer E

Other than AVTE, during the Track Record Period, we also purchased Memory products and General Components from Customer E who was our third largest customer for FY2015 for the reason that we were not an Authorised Distributor of a particular Upstream Manufacturer specified by our customer. During the Track Record Period, our revenue generated from Customer E was approximately HKD27.2 million, HKD107.3 million and HKD10.8 million for FY2014, FY2015 and FY2016, respectively, represented approximately 3.5%, 9.6% and 0.6% of our total revenue for the corresponding years.

Customer E is a private trading company incorporated in Hong Kong engaged in the distribution of Data & Cloud products and General Components, which was of similar business nature as our Group. As Customer E and our Group are active market players in the distributorship of electronic components, according to the Frost & Sullivan Report, it is not unusual for the distributors to source semiconductors and other electronic components from each other if the distributor is not an Authorised Distributor of a particular Upstream Manufacturer or lack of inventory.

The terms of sales of Memory products and General Components we sold to Customer E were similar to those we provided to other customers. The average gross profit margin for our Memory products and General Components sold to Customer E was approximately 3.1%, 3.8% and 3.0% for FY2014, FY2015 and FY2016 respectively. There was one sale and purchase transaction with Customer E involved the sale and purchase of General Components, namely power component with the same model number. Our Directors are of the view that there are no unusual benefits to our Group or the overlapping customer other than the profit and loss derived from the arm's length transaction with the overlapping customer as disclosed above.

Supplier I

During the Track Record Period, we also sold Memory products to Supplier I who was our fifth largest supplier for FY2016 for the reason that Supplier I was not an Authorised Distributor of a particular Upstream Manufacturer specified by its customer. During the Track Record Period, our revenue generated from Supplier I amounted to approximately HKD0.75 million, which occurred only in FY2015, represented approximately 0.07% of our total revenue for the corresponding year; our purchase made from Supplier I was approximately nil, HKD30.5 million and HKD79.2 million for FY2014, FY2015 and FY2016 respectively, represented approximately nil, 2.8% and 4.8% of our total purchases for the corresponding years.

As Supplier I and our Group are active market players in the distributorship of electronic components, according to the Frost & Sullivan Report, it is not unusual for the distributors to source semiconductors and other electronic components from each other if the distributor is not an Authorised Distributor of a particular Upstream Manufacturer or for the reason of lack of inventory.

The terms of purchase of Memory products and General Components from Supplier I were similar to those of other suppliers. The average gross profit margin for the only sale transaction with Supplier I was approximately 0.42% for FY2015. As confirmed by our Directors, the thin profit margin of this transaction was mainly due to a significant drop of unit price of a particular item which form part of the transaction. There was no sale and purchase transaction with Supplier I involving the sale and purchase of products with the same model number. Our Directors are of the view that there are no unusual benefits to our Group or the overlapping supplier other than the profit and loss derived from the arm's length transaction with the overlapping supplier as disclosed above.

SENSITIVITY AND BREAKEVEN ANALYSIS

Sensitivity Analysis

For FY2014, FY2015 and FY2016, the cost of sales were approximately HKD744.5 million, HKD1,067.5 million and HKD1,608.0 million respectively and the finance cost were approximately HKD1.1 million, HKD1.7 million and HKD4.2 million respectively. Fluctuation in the cost of sales and/ or the effective interest rate charged on our loans would affect our Group's selling price and profit margin. In such an event, our cost of sales and finance cost may increase unexpectedly to the extent that our Group has to incur substantial extra costs without sufficient compensations, and the financial performance and profitability of our Group will be adversely affected. Assuming all other variables remained constant, the following sensitivity analyses illustrated the impact of hypothetical fluctuations in our cost of sales and effective interest rate on our profit after income tax during the Track Record Period. Based on the extent of fluctuation in gross profit margin of not less than 1% during Track Record Period (with reference to our Group's lowest gross profit margin of 4.6% in FY2014 and our Group's highest gross profit margin of 5.5% in FY2016),fluctuations are assumed to be 0.25%, 0.50% and 1%, for each of FY2014, FY2015, FY2016 and FP2017, respectively.

Hypothetical fluctuation in cost of sales	+/- 0.25%	+/- 0.50%	+/- 1.00%
	HK$'000	*HK$'000*	*HK$'000*
Change in profit after income tax			
FY2014	-/+ 1,554	-/+ 3,108	-/+ 6,216
FY2015	-/+ 2,228	-/+ 4,457	-/+ 8,914
FY2016	-/+ 3,357	-/+ 6,714	-/+ 13,427
FP2017	-/+ 3,918	-/+ 7,836	-/+ 15,673

Hypothetical fluctuation in effective interest rate	+/- 0.25%	+/- 0.50%	+/- 1.00%
	HK$'000	*HK$'000*	*HK$'000*
Change in profit after income tax			
FY2014	-/+ 135	-/+ 270	-/+ 539
FY2015	-/+ 171	-/+ 342	-/+ 685
FY2016	-/+ 396	-/+ 792	-/+ 1,584
FP2017	-/+ 613	-/+ 1,225	-/+ 2,451

Breakeven Analysis

For FY2014, FY2015, FY2016 and FP2017, it is estimated that, holding all other variables constant, our Group would achieve breakeven with an increase in effective interest rate of approximately 22.12%, 35.74%, 28.37% and 14.70% respectively.

RESEARCH AND DEVELOPMENT

Currently, research and development efforts of our Group revolve around market research of new products and technologies, and development of new markets and customers based on the results of our market research. Our Group selects research and development projects according to these criteria: (i) the potential market size of the new products; (ii) whether the new products would be feasible and profitable; and (iii) whether the resources and technology for development is viable.

At present, there is no dedicated department or team to be responsible for the research and development in which the efforts are undertaken collectively by our engineering and sales staff, as well as senior management, on an informal basis. When our staff or management come across any potential new products from trade shows, exhibitions, supplier introductions, or industry news etc., an informal process of internal analysis and approvals will commence, until the potential new products are either rejected or approved for introduction into our product range.

Our Group intends to establish a new product development department in the first quarter of 2018 with the use of proceeds from this Listing to formalize the new product and market research efforts and procedures of our Group. We are expecting to better allocate our sales team to focus on its duty to communicate and understand our customers while we recruit new manpower to staff for the new product and market research department for the purpose of product development and conducting market researches. For details, please refer to the section headed "Future plans and use of proceeds" of this prospectus.

QUALITY CONTROL AND PRODUCT RETURN POLICY

Our Group has a set of quality management protocol to ensure its products are up to the standard before and after delivery. This framework of quality control is to ensure our Group could uphold its quality in both the delivery of products and customer satisfaction aspects. Different measures would be implemented on different customers.

Quality Control

Upon the arrival of the products to our Group, we will first ascertain if the items are delivered in accordance with our purchase orders, namely the type and quantity of the products. Once the delivery is confirmed, we will conduct visual checks against the products to ensure that the quality is up to standard, followed by the conduct of performance testing on some storage system products.

Most products are packaged in vacuum sealed bags, in such circumstances, only visual inspections would be conducted on these products. Generally, opened or damaged packaging is not accepted by our customers, it is thus not feasible for our Group to conduct performance testing on these products prior to delivery. The product packaging must be intact to guarantee the authenticity of the products and that the products have never been tampered with.

Our group also has measures in place to protect the products from being damaged during the testing process. Our Group's quality assurance technicians are required to wear anti-electrostatic clothing and shoes to prevent the hardware components from being damaged or destroyed by electrostatic discharge during the testing.

After the visual inspection, products would be repacked pending delivery in accordance with the purchase orders made by our customers.

Product Return Policy

The availability of warranties are subject to the decision of the Upstream Manufacturers. Where the Upstream Manufacturers provide warranties to our Group, we would in turn, provide warranties to our customers. Our Group would subsequently return defective products under warranty to the relevant Upstream Manufacturers for exchange according to the RMA procedures as agreed with the Upstream Manufacturers. The related costs of return are born by the relevant Upstream Manufacturers as per the relevant distribution agreements.

With these quality control protocols in place, the Directors believe that the quality of our Group's products would be maintained and that no substantial costs shall be incurred by our Group even if we encounter products return circumstances. During the Track Record Period, there was no record of material rejection, dispute or claim for compensation or litigation between our Group and its customers with respect to quality assurance.

INVENTORY

Inventory management

Generally, we procure upon the receipt of purchase orders from our customers and we also procure frequently ordered items depending on our expectation on market demand and production lead time. Typically, we intended to maintain around one month's worth of inventory. We closely monitor our inventory level to meet our requirements as safety stock and avoid stocking up obsolete inventory. Our inventory turnover days during the Track Record Period were approximately 27.4 days, 18.8 days and 20.1 days, respectively.

We generally place purchase orders with our suppliers on a back-to-back basis, thus our Group re-negotiate with our customers or even reject the customers' orders subject to the quotation and production lead time of our suppliers. We generally intended to pass any increase in our purchasing costs of our inventory product price onto our customers.

Other factors affecting the level of inventory kept by our Group includes anticipation of increase in product demand and purchase costs. In such case our Group may stock up on certain products to satisfy the expected increase in customer orders.

We also receive purchase forecasts or purchase orders from two to six months in advance from some of its customers. The purchase forecasts or orders serve as indicators for our Group in terms of types of products and quantity to be procured.

Our Group keeps its inventory under CCTV surveillance inside our warehouse premises. The key to the warehouse is kept by the warehouse staff. To ensure the stocks are properly stored and safeguarded in the warehouse, informal stock-taking is conducted by warehouse staff on a monthly basis. Annual stock takes are performed on the financial year-end date or on a date as close as possible subsequent to the financial year-end. The approved record is kept by the Accounts Department. A perpetual inventory record of the stock movement in and out of the warehouse is maintained and updated by the warehouse staff in our existing ERP system.

Upon receiving products from the vendors, purchase invoices and packing lists are received together with the products in the warehouse. Our warehouse staff will then cross check the quantity of products delivered by the forwarder and the quantity as stated on the orders. Our warehouse staff subsequently performs inspection and acknowledge the receipt of the goods by stamping on the packing list. Prior to the delivery of the products, our shipping staff will prepare a set of three documents, namely, the delivery note, packing list and sales invoice for the particular order. our customers will stamp on the delivery note upon delivery. Incoming stocks are recognised automatically when the products received are recorded, whereas outgoing stocks are recognised automatically when the delivery note is issued in the accounting system.

Inventory impairment policy

It is our Group's policy to make assessment for impairment on its inventories and identify obsolete stocks by regularly reviewing the sales and market prices of its products, cross referencing with the aging analysis.

Upon identifying any slow-moving or long-standing inventory, provision for obsolete stock would be made if the movement of a particular stock has been inactive for 365 days except for those stock which subsequent sales have been found. Approval will then be requested to have such items properly handled. Our Group will either sell the obsolete products at lower prices, sell to scrap traders or dispose of the products. For details, please refer to the section headed "Financial Information - Inventories" in this prospectus.

Where carrying value of the obsolete products is significantly lower than the replacement costs, the net realizable value will be adjusted accordingly to reflect the situation.

LOGISTICS AND WAREHOUSING

Our Group stores its inventory primarily in warehousing facilities in Hong Kong.

For Hong Kong business, we generally accept delivery from our suppliers in Hong Kong. In some cases, we arrange pick up directly from overseas suppliers on ex-factory basis back to Hong Kong. Logistics arrangements will then be made to deliver the products to the customers in Hong Kong as per the preferences of our Group's customers. The Directors consider that it is preferable to use Hong Kong as the logistics hub as it adopts minimal control on foreign exchange and a free trade policy, which result in tariff not being imposed on import and export of our Group's products. We settle payments to our suppliers in US$, hence, our Group also accepts payments from its customers in US$ so as to lower the risks associated with foreign exchange movements.

For PRC business, delivery may be made directly from PRC suppliers to PRC customers, with our logistic arrangements. In some cases, shipment will be made to our PRC premises before being forwarded to our PRC customers.

Our Group's certain overseas suppliers would sometimes undertake the delivery to our Group's customers directly depending on the delivery terms of the purchase orders. These PRC customers will be responsible for their own logistics and customs related matters. Delivery terms are negotiated by our Group and its suppliers before the purchase orders are confirmed.

Depending on the customers' preference, some of the shipment would be ready for pickup by our customers at our premises both in Hong Kong and the PRC. All other transportation costs and risks would then be assumed by the customers.

The delivery of products by our Group is usually accompanied by three documents, namely, the delivery note, packing list and the sales invoice. The three documents are prepared and generated by our shipping staff. The warehouse staff arranges the delivery in accordance with the information contained in the three documents. Our Group engages third party logistics agents to make the deliveries.

INTERNAL CONTROL AND RISK MANAGEMENT

The Directors are responsible for the formulation of and for overseeing the implementation of the internal control measures and the effectiveness of risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

Our Group is dedicated to the establishment and maintenance of an internal control system. Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, we will comply with the code provisions set out in the CG Code after the Listing.

According to our Group's risk management policy, the Audit Committee is responsible for managing and reviewing the various risks on our Group's governance and operation assisted by an executive Director, the officers in charge from all major operating units among our Group, namely, (i) Ms. Leung Yuen Ting, the financial controller of our Group; (ii) Ms. Tang Yuen Ching Irene, the company secretary of our Group; and (iii) relevant officers-in-charge from other major operating units.

According to our Group's terms of reference of the Audit Committee, the committee should meet at least twice annually of which will also discuss and review various updates or changes on risks environment, assess and determine appropriate management measures our Group should adopt in a timely manner to safeguard its exposure against potential crisis.

CORPORATE GOVERNANCE

Our Group continuously strives to strengthen the role of our Board as a body responsible for decision-making concerning its fundamental policies and upper-level management issues, and supervising the execution of its operation. The Board of the Company includes three independent non-executive Directors to ensure transparency in management and fairness in business decisions and operations. The independent non-executive Directors contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialized knowledge.

Our Group has strengthened its auditing system to ensure the appropriate functioning of the risk management and operation oversight systems. An audit committee which comprises three independent non-executive Directors to review and monitor the effectiveness of our Group's financial controls, internal control and risk management systems have been established.

AWARDS AND RECOGNITIONS

The following table sets out major awards and recognitions obtained by our Group:

Year of award	Award/Recognition	Awarding organisation
2017	2016 Best Service Award 2016年最佳服務獎	Customer B1
2016	2015 Excellent Supplier 2015年優秀供應商	Customer B1
2016	2015 Approved Supplier 2015 合格供應商證書	Customer F2
2013–2015	The Best Partner of Year 2013 – 2015	Supplier A

Note: English translation for indication purpose only

EMPLOYEES

Our Group had a total of 102 employees as at 31 December 2017. Set forth below is a breakdown of the number of employees by departments or by functions.

Number of Employees

Accounting	9
Administration	13
Engineer	17
Sales and Marketing	56
Management	7
Total	102

Driven by customers' and suppliers' expectations for a strong engineering team, as well as for our research and development initiatives, our Group proposes to recruit more engineers to our Group. In anticipation of business expansion, the Group also plans to increase staff headcount in accounting and sales/marketing departments. For details, please refer to the section headed "Business – Strategies of our Group" in this prospectus.

Training

The Directors believe that the employees are the most valuable assets in our Company and great emphasis is placed on the provision of staff training and development.

We encourage our engineering team to take part in various training courses on a continuing basis. Our Group invites our suppliers to hold staff training courses or at times, outsources its training to training providers. These training courses cover a range of engineering skillset and new technology and are provided to our Group's engineers depending on their functions and responsibilities in our Group. These training courses are held from time to time as and when needed.

REAL PROPERTY

Our Group operates our businesses through both owned and leased properties in Hong Kong and in the PRC.

Investment properties/Self-owned properties

Our Group owns three properties in Hong Kong (the "HK properties"), being (i) the headquarter office (the "HK headquarter office"), (ii) one car park space of our Group (the "car park") and (iii) an investment property which is leased out for rental income (the "HK investment property"). The HK headquarter office and the HK investment property consist of saleable areas of approximately 7,791 and 2,274 square feet respectively. According to the property valuation report set out in Appendix IV to this prospectus, the HK headquarter office together with the car park and the HK investment property were valued at HKD47.9 million and HKD51.6 million respectively as at 31 December 2017.

Our Group has pledged all of the HK properties to a bank for loan facilities. We are not engaged in any speculative activity and are not expecting to dispose of any of the HK properties before the year ending 31 December 2018.

According to the property valuation report set out in Appendix IV to this prospectus, the aggregate amount of HK properties is about HKD99,500,000 as at 31 December 2017. The carrying amount of the mortgage loan of approximately HKD23,470,000 as at 31 December 2017 was substantially lower than the value of the properties in aggregate. As such, our Directors believe that the pledge of our HK properties would not affect our Group's suitability for Listing.

Our Group also owns two properties in Shanghai and Jinan of the PRC. The Shanghai property and the Jinan property consist of saleable areas of approximately 122.5 square meters and 95.8 square meters respectively. According to the property valuation report set out in Appendix IV to this prospectus, the Shanghai property and the Jinan property were valued at HKD5,160,000 and HKD2,060,000 respectively as at 31 December 2017.

For each of FY2014, FY2015, FY2016 and FY2017, annual rental income of approximately HKD1.4 million, HKD1.5 million, HKD1.7 million and HKD1.6 million (unaudited) were derived from our Group's investment property respectively.

The table below set forth the properties owned by our Group as at the Latest Practicable Date:

Use of property	Address	Landlord	Tenant	Approximate area	Rent (monthly)	Rental Term
Headquarters (Office, workshop and warehouse)	Unit Nos. 2–3, 1/F., Sun Cheong Industrial Building, No. 1 Cheung Shun Street, Lai Chi Kok, Kowloon, Hong Kong.	I-Sky Electronic Limited	AVT International Limited	7,791 sq. ft.	HK$145,000.00 (inclusive of government rent, rates and management fees)	2 years commencing from 1 December 2016
Investment/For Lease	Factory No. 8, G/F., Elite Industrial Centre, 883 Cheung Sha Wan Road, Kowloon, Hong Kong.	AVT International Limited	The True Boss Limited	2,274 sq. ft.	HK$135,000.00 for the 1st & 2nd years and HK$148,500 for the final year respectively (exclusive of government rent, rates and management fees)	3 years commencing from 1 April 2016 plus 1 year renewal option
Car park	Car Parking Space No. G5 on the Ground Floor of Sun Cheong Building, 1 Cheung Shun Street, Kowloon, Hong Kong.	I-Sky Electronic Limited	AVT International Limited	209 sq. ft.	HK$4,500.00 (inclusive of government rent, rates and management fees)	2 years commencing from 1 December 2016
Shanghai (Office)	Room F, 20/F., No. 18 North Cao Xi Road, Shanghai, China. (上海市漕溪北路18號20樓F室)	Shenzhen Lisigao Electronic Company Limited 深圳市麗斯高電子有限公司	N/A	122.51 sq. m.	N/A	N/A
Jinan (staff quarters)	Unit No. 602, Level 6, Block 2, Zone III, Golden Times, No. 1587 Chonghua Road, High-Tech New Zone, Jinan District, China. (濟南市高新區崇華路1587號黃金時代3區2號樓602室)	Shenzhen Lisigao Electronic Company Limited 深圳市麗斯高電子有限公司	N/A	95.76 sq. m.	N/A	N/A

The investment property at No. 8, G/F., Elite Industrial Centre, 883 Cheung Sha Wan Road, Kowloon, Hong Kong was leased to the tenant as a factory canteen. In or about March 2013, we received a letter from the Lands Department of Hong Kong dated 26 March 2013 (the "**Letter**") that the use of the investment property was in breach of the conditions of the relevant land use waiver (the "**Waiver**") being a) the canteen shall be used exclusively by people employed in the building; b) the premises shall have no independent or direct exit to or entrance from any public road, street, lane or any other area whatsoever except such as may be required by the Building Authority for the purposes of escape in the event of fire or other emergency; and c) no advertising signboard, notice or poster nor any other kind of sign denoting or indicating the existence of the canteen shall be exhibited on the lot or on any part thereof or any building or buildings erected or to be erected thereon or on any part thereof so as to be visible from outside thereof. Our Directors confirm that the breach of the Waiver was not related to fire safety. Our Directors further confirm that when we purchased the investment property in 2010, we were not aware of any breaches of the Waiver. It was until, the day when we received the Letter, we first knew that the Waiver was breached. Prior to that, we were not aware/informed of any changes made by the tenant resulting in the breach of the Waiver. To rectify the breaches, we urged the tenant to retrofit the investment property. The tenant has retrofitted the premises by the end of April 2013, and we had then informed the Lands Department of the same. According to the communications between us and the Lands Department, no confirmation letter as to whether the past breaches have been rectified to its satisfaction will be issued by the Lands Department. In October 2013, we wrote a letter to inform the District Lands Office that our tenant had successfully rectified and fully remedied the breached conditions. Pursuant to the conditions of the Waiver and the Letter, the consequence of not fulfilling the condition(s) of the Waiver is the cancellation of the Waiver. Upon such cancellation, the investment property has to be ceased to be used for canteen purpose. As at the Latest Practicable Date, no feedback from the Lands Department has been received and no further remedial action has been requested from the Lands Department. Our insurance policy was not affected by the aforementioned breaches.

Pursuant to the relevant tenancy agreement with the tenant in respect of the investment property dated 8 March 2016, the tenant agrees, among other things, to obey and comply with and to fully indemnify the landlord, AVT International, against the breach of all ordinances, regulations, by-laws, rules and requirements of any governmental or other competent authority relating, to the use and occupation of the premises by the tenant.

Leased properties

As at the Latest Practicable Date, our Group leased and occupied properties in the PRC for office use. Set out below is a summary of our Group's leased properties in the PRC as at the Latest Practicable Date:

Use of property	Address	Approximate area	Rent (monthly)	Rental Term
Office	Unit A1303, Tianan High-Tech Plaza, Futian District, Shenzhen Shi, Guangdong Province, China. (深圳市福田區車公廟天安創新科技廣場1期A1303室)	385.52 sq. m.	RMB58,000.00 (exclusive of management fees)	2 years commencing from 1 July 2017
Office	Unit 27C1, Tower B, NEO, Shennan Boulevard, Futian District, Shenzhen, Guangdong Province, China. (深圳市福田區深南大道NEO企業大廈B座27C1)	246 sq. m.	RMB58,500.00 (exclusive of management fees)	2 years commencing from 10 February 2017 to 17 February 2019

The Directors confirm that the properties have been occupied by our Group in accordance with the permitted uses under their respective lease agreements and relevant covenants. As at the Latest Practicable Date, our Group was not aware of any challenges made by third parties to the titles of the properties which would affect our Group's occupation.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group has registered its material trademark and material domain names in Hong Kong. For details of our Group's intellectual property rights, please refer to the paragraph headed "B. Further Information about our Company's Business – 2. Intellectual property rights" in Appendix VI to this prospectus.

As at the Latest Practicable Date, the Directors were not aware of any infringement (i) by our Group of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by our Group.

INSURANCE

Our Directors believe that the insurance policies coverage subscribed by our Group is adequate and is in line with the standard industry practice. Our Group maintains a range of insurance policies that are crucial to our Group's operations, including material damage and fire insurance policies for its inventories and properties, marine cargo insurance for its cargo shipments and employees' compensation insurance, group medical insurance and staff annual travel insurance relating to its employees. Our Group also maintains third-party insurance for the vehicle it owns.

LEGAL AND COMPLIANCE MATTERS

Particulars of material claims settled, pending or threatened involving our Group

Claim against former customer

As at the Latest Practicable Date, our Group has undergone one legal proceeding initiated by the Company against a former customer (the "Customer"), which is a private company, in relation to a default in payment due to dishonoured cheques made payable to the Company for goods sold and delivered (the "Legal Proceeding"). Despite repeated demands and requests made by the Company, the Customer has failed and refused to repay the outstanding amount of US$271,620 (or the Hong Kong dollar equivalent) or any part thereof.

A writ of summons was filed into the court on 28 January 2016 and served by the Company as the plaintiff against the customer as the defendant. The Legal Proceeding progressed routinely and on 1 August 2016, a judgment was handed down by the court (the "Judgment") whereby the Customer's Defence was struck out and it was adjudged to pay to the Company the sum of US$271,620 (or the Hong Kong dollar equivalent at the time of payment) together with interest thereon at the rate of 8% per annum, calculated from 28 January 2016 to the date of the Judgment and thereafter at judgment rate as prescribed by the laws of Hong Kong until payment and the costs arisen from the Legal Proceeding (the "Judgment Debt").

A statutory demand was duly served on the Customer on 3 August 2016, demanding for payment of the Judgment Debt, but to no avail. An application for oral examination of the directors of the Customer was then made on 6 September 2016 and a subsequent Garnishee Order to Show Cause was granted by the court on 17 November 2016.

On the grounds that no response was received from the Customer in relation to the previous actions by the Company, the Company petitioned to the court to wind up the Customer on 9 January 2017 (the "Winding-up Proceeding"). As at the Latest Practicable Date, the Winding-Up Proceeding is still on-going.

Dispute with past employee

On 20 July 2016, a past employee of the PRC Subsidiary (the "Employee") initiated an arbitration case against the PRC Subsidiary at 深圳市福田區勞動人事爭議仲裁委員會 (Shenzhen Futian Labor Personnel Dispute Arbitration Committee*) (the "Committee"), claiming a total sum of approximately RMB649,000 which represents the disputed amount of wage payment and compensation incurred during the period from 2008 to 2016 resulting from the termination of employment relationship between the PRC Subsidiary and the Employee. Pursuant to the arbitral decision of the Committee in September 2016, the PRC Subsidiary is only required to pay a total sum of approximately RMB56,000 to the Employee but not the rest of the claim amount.

The Employee disagreed with the arbitral decision of the Committee and brought the case to 深圳市福田區人民法院 (Shenzhen Futian People's Court*) (the "First Court") in November 2016. The Employee reduced the claim amount to approximately RMB366,000, which is approximately RMB283,000 less than the original claim amount during arbitration. In April 2017, the First Court decided that the PRC Subsidiary should pay a total sum of approximately RMB75,000 to the Employee but not the rest of the claim amount.

In May 2017, the Employee appealed to 深圳市中級人民法院 (Shenzhen Intermediate People's Court*) (the "Intermediate Court") for a claim amount similar to that in the First Court. The PRC Subsidiary also appealed to the Intermediate Court requesting to lower the First Court's decided amount by approximately RMB18,000.

On 3 November 2017, judgement was handed down by the Intermediate Court. Pursuant to the judgment, it was decided by the Intermediate Court that the PRC Subsidiary should pay a total sum of approximately RMB120,000 to the Employee but not the rest of the claim amount of approximately RMB366,000. Subsequently on 17 November 2017, the payment obligation owed to the Employee under the judgment was satisfied by the PRC Subsidiary and since then, the dispute between the Employee and the PRC Subsidiary has concluded.

Save as disclosed above, no member of our Group was involved in any claim, litigation or arbitration of material importance and no claim, litigation or arbitration of material importance that is known to the Directors which would involve any member of our Group.

Compliance

Our Directors confirm that our Group had complied in all material respects with the applicable laws and regulations in Hong Kong during the Track Record Period and up to the Latest Practicable Date and did not receive any notices for any fines or penalties for any non-compliance that is material and systemic.

Disciplinary actions against members of our Group and/or its employees during the Track Record Period

During the Track Record Period and as at the Latest Practicable Date, no disciplinary action had been taken against members of our Group and/or its employees.

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

Our Group does not engage in the manufacturing of products and does not have any production facilities. The inventory are kept at our Group's storage and warehousing facilities situated inside the headquarter office unit. Therefore, our Group is not subject to significant health, safety or environmental risks. During the Track Record Period and up to the Latest Practicable Date, our Group had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations.

TAX IMPLICATIONS

Compliance with tax laws in Hong Kong

The reporting accountant is of the view that our Group has complied with applicable tax laws in Hong Kong and made all required tax filings and payments for the Track Record Period.

Compliance with tax laws in the PRC

The following procedures have been performed by the reporting accountant in relation to the compliance of the PRC tax laws by the PRC subsidiary for the Track Record Period:

(i) Obtained (a) Enterprise Income Tax Returns (企業所得稅年度納稅申報表) filed in FY2014, FY2015 and FY2016, from the website of Shenzhen National Tax Bureau (深圳市國家稅務局) and (b) Enterprise Tax Clearance Reports (企業所得稅匯算清繳鑒證報告) in FY2014, FY2015 and FY2016, issued by Shenzhen Wuzitao Taxation Specialists Co., Ltd. (深圳市五姿陶稅務師事務所有限公司), a certified tax agent in the PRC.

(ii) Cross checked to audit reports in FY2014, FY2015 and FY2016, the financial information included in supporting documents listed in (i) above is consistent with the respective audit reports.

(iii) Confirmations are obtained from Shenzhen Wuzitao Taxation Specialists Co., Ltd. (深圳市五姿陶稅務師事務所有限公司) for confirming the Enterprise Tax Clearance Reports (企業所得稅匯算清繳鑒證報告) in FY2014, FY2015 and FY2016, provided by the Group were issued by Shenzhen Wuzitao Taxation Specialists Co., Ltd. (深圳市五姿陶稅務師事務所有限公司) and they were filed to the relevant PRC authority.

(iv) Obtained Shenzhen National Tax Bureau Tax Non-Compliance Certificate (深圳市國家稅務局稅務違法記錄證明) and Shenzhen Regional Tax Bureau Tax Non-Compliance Certificate (深圳市地方稅務局稅務違法記錄證明) issued by Shenzhen Futian National Tax Bureau (深圳市福田區國家稅務局) and Shenzhen Futian Regional Tax Bureau (深圳市福田區地方稅務局) respectively for confirming no material non-compliance of tax regulation in FY2014, FY2015 and FY2016 and for the 11 months ended 30 November 2017, by the PRC Subsidiary.

(v) Obtained legal opinion provided by the PRC Legal Adviser - ETR Law Firm (廣東廣信君達律師事務所). Based on the due diligence performed by the PRC Legal Adviser, it is not aware of any material non-compliance in relation to the PRC tax by the PRC subsidiary.

Based on the foregoing procedures performed, the reporting accountant is not aware of any material non-compliance in relation to the PRC tax law by the PRC subsidiary for the Track Record Period.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Board consists of five Directors, including two executive Directors and three independent non-executive Directors. The information of the Directors is set out below:

Name	Age	Position/Title	Responsibilities in our Group	Date of joining our Group	Date of appointment	Relationship with other Directors and members of the senior management
Mr. Lee Bing Kwong	63	Chairman, chief executive officer and executive Director	Overall business development, a member of the remuneration committee and the chairman of the nomination committee	7 May 1992	4 July 2012	Brother-in-law of Mr. Lo Yuen Kin and the father of Mr. CH Lee
Mr. Lo Yuen Kin	54	Executive Director	Overall finance management, a member of the nomination committee and the audit committee	1 May 2012	21 February 2014	Brother-in-law of Mr. Lee and uncle of Mr. CH Lee
Mr. Cheung Siu Kui	68	Independent non-executive Director	The chairman of the remuneration committee and a member of the audit committee and the nomination committee	15 February 2018	15 February 2018	Nil
Mr. Yim Kwok Man	49	Independent non-executive Director	The chairman of the audit committee and a member of the remuneration committee	15 February 2018	15 February 2018	Nil
Dr. Chow Terence	54	Independent non-executive Director	A member of the nomination committee and the audit committee	15 February 2018	15 February 2018	Nil

The Group's senior management team has the following members:

Name	**Age**	**Date of joining our Group**	**Present position(s)**	**Date of appointment as a senior management**	**Principal responsibilities**	**Relationship with other Directors and members of the senior management**
Lee Chak Hol	26	1 October 2015	Deputy Chief Executive Officer	30 October 2015	Assisting the chief executive director in daily management of the Group for relevant coordination with internal management and external business alliances, including but not limited to the operation and management of the Information Technology and Human Resources Departments of the Group and the supervision of internal control implementation	Son of Mr. Lee and nephew of Mr. Lo Yuen Kin
Leung Yuen Ting	47	24 May 2012	Financial Controller	30 October 2015	Responsible for general financial management and daily financial operations of the Group	Nil
Wang Chuangzhi	43	4 March 2013	Technical Marketing Manager	4 March 2013	Responsible for market development, sales and marketing and customer development	Nil
Fu Xiaodong	44	20 January 2015	Sales Director	20 January 2015	Responsible for market development, sales and marketing and customer development	Nil
Tang Yuen Ching Irene	48	8 August 2012	Company Secretary	29 March 2014	Responsible for the corporate secretarial and compliance work of our Group	Nil

Executive Directors

Mr. Lee Bing Kwong, the founder of our Group and the Controlling Shareholder, was appointed as an executive Director on 4 July 2012 and is also the chief executive officer of our Group and the chairman of the Board. Mr. Lee obtained the bachelor's degree of applied science from the University of Toronto, Canada in 1980. Mr. Lee established Nicegoal Investments in 1987 with business mainly in manufacturing of personal computer motherboard and trading of components and accessories for personal computer and AVT International in 1992 with business started in 2005 in trading of electronic components. Prior to the establishment of Nicegoal Investments, Mr. Lee acted as sales engineer and marketing engineer in the sales and marketing department of Motorola Semiconductors Hong Kong Limited during the period from 1981 and 1985. Mr. Lee has been active in semi-conductor field for more than 30 years. In the three years preceding the Latest Practicable Date, Mr. Lee had not held any directorship in any listed company. Mr. Lee is the spouse of Ms. Lo and brother-in-law of Mr. Lo Yuen Kin and the father of Mr. Lee Chak Hol, a member of our senior management.

Mr. Lo Yuen Kin was appointed as an executive Director on 21 February 2014. Mr. Lo joined our Group in May 2012 as finance director. Mr. Lo obtained a bachelor's degree of engineering from The Cooper Union for the Advancement of Science and Art, New York, United States of America in 1988 and a master's degree of science (aeronautics and astronautics) from Stanford University, California, United States of America in 1990. In 1987, Mr. Lo was elected by The Cooper Union – Cooper Union Pi Phi Chapter and declared a certified member of Pi Tau Sigma Fraternity. Further, Mr. Lo has been a responsible officer of Positano Wealth Management Limited for the supervision of Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO since September 2017 and was a responsible officer of China Shenghai Investment Management Limited responsible for the supervision of Type 1 (dealing in securities) (for the period from September 2009 to August 2013), Type 4 (advising on securities) (for the period from April 2009 to August 2013) and Type 9 (asset management) (for the period from April 2009 to August 2013). During the period from December 2002 to February 2007, Mr. Lo worked for SinoPac Capital Limited as director of equity trading. During the period from 1990 to 2016, Mr. Lo worked with various financial institutions and accounting firm, including Price Waterhouse, Credit Lyonnais (Asia) Limited, Mees Pierson Securities (Asia) Limited, Morgan Grenfell Asia Securities (HK) Limited, BZW Asia Limited, China International Capital Corporation (Hong Kong) Limited, ING Baring Securities (Hong Kong) Limited, G.K. Goh Securities (H.K.) Limited and YGD Asset Management (HK) Limited. Mr. Lo is the brother-in-law of Mr. Lee and a brother of Ms. Lo. In the three years preceding the Latest Practicable Date, Mr. Lo had not held any directorship in any listed company.

Independent Non-Executive Directors

Mr. Cheung Siu Kui was appointed as an independent non-executive Director on 15 February 2018. Mr. Cheung obtained a bachelor's degree of applied science from the University of Toronto, Canada in 1975. Mr. Cheung was elected a member of the Association of Professional Engineers of the Province of Ontario and the Institution of Electronic and Radio Engineers in 1977 and 1983 respectively. Mr. Cheung retired in 2008. Prior to Mr. Cheung's retirement, he acted as vice president (Greater China Operation) of Renesas Technology (Hong Kong) Limited during the period from 2003 to 2008 responsible for , amongst others, strategic planning and operation support for the Greater China Market. During the period from 1983 to 2003, Mr. Cheung worked with various electronic components companies including Motorola Semiconductors (HK) Limited and Hitachi Electronic Components (Asia) Limited responsible for the sales and marketing of electronic components. In the three years preceding the Latest Practicable Date, Mr. Cheung had not held any directorship in any listed company.

Mr. Yim Kwok Man was appointed as an independent non-executive Director on 15 February 2018. Mr. Yim has over 20 years' experience in the areas of corporate finance, debt and equity capital markets, asset management and merger and acquisition advisory. He has been a fellow member of The Association of Chartered Certified Accountants since 2003 and an associate member of the Hong Kong Society of Accountants (now known as The Hong Kong Institute of Certified Public Accountants) since 2002. Mr. Yim is currently an independent non-executive Director of Tsui Wah Holdings Limited, the shares of which are listed on Main Board of the Stock Exchange (stock code: 1314), with effect from November 2012. Mr. Yim is also a non-executive director of Star Properties Group (Cayman Islands) Ltd., the shares of which are listed on Main Board of the Stock Exchange (stock code: 1560), with effect from March 2016. Mr. Yim was a responsible officer of Odysseus Capital Asia Limited (formerly known as GALAXY CAPITAL LIMITED), a corporation licensed under the SFO, for Type 6 regulated activity (advising on corporate finance) till July 2014. Mr. Yim graduated with a bachelor's degree of engineering in civil engineering from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1991 and obtained a master degree in business administration from The Chinese University of Hong Kong in 1994. Prior to joining our Group, Mr. Yim served as a non-executive director of Eternite International Company Limited (now renamed as Larry Jewelry International Company Limited), the shares of which are listed on GEM of the Stock Exchange (stock code: 8351), for the period from December 2010 to August 2011. From Mr. Yim's graduation to present, he worked with various financial institutions and investment banks, including Rabobank International Hong Kong Branch, DBS Asia Capital Limited and CITIC Capital Markets Holdings Limited. Save as aforesaid, in the three years preceding the Latest Practicable Date, Mr. Yim had not held any other directorship in any listed company.

Dr. Chow Terence was appointed as an independent non-executive Director on 15 February 2018. Dr. Chow obtained a Bachelor of Medicine and Bachelor of Surgery degree from the Chinese University of Hong Kong in 1987. Dr. Chow has worked in various public and academic units including medicine, surgery, orthopaedics & traumatology, oncology, anaesthesia and intensive care before starting his private general practice in 1991.

Dr. Chow founded Bright Growth Doctors & Associates in 1993, which was the first private medical group in Hong Kong to have its own CT (computerized tomography) machine. In 2000, Dr. Chow founded TY Healthcare Corporation and has been its Chairman and Medical Director since then.

From 2007 to 2012, Dr. Chow has been appointed by the Government of the Hong Kong Special Administrative Region as a Penal Member of the Human Organ Transplant Board. He is currently a member of the Hong Kong Medical Association and the Hong Kong College of Family Physicians. Dr. Chow had also been an Honorary Clinical Assistant Professor in Family Medicine at the University of Hong Kong. In the three years preceding the Latest Practicable Date, Dr. Chow had not held any directorship in any listed company.

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; and (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as at the Latest Practicable Date.

As at the Latest Practicable Date, save as disclosed in the paragraph headed "C. Further information about our directors and substantial shareholders – 1. Interests and/or short positions of our directors and the chief executive in the shares, underlying shares and debentures of our company or any associated corporations" in Appendix VI to this Prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Each of our Directors has confirmed that he does not have any interest in a business apart from ours which competes or is likely to compete, directly or indirectly, with us which is discloseable under Rule 8.10 of the Listing Rules.

Save as disclosed herein, to the best of the knowledge, information and belief of our senior management having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2) (h) to (v) or paragraph 41(3) of Appendix 1A of the Listing Rules as of the Latest Practicable Date.

Senior Management

Mr. Lee Chak Hol joined our Group in October 2015 and was appointed as deputy chief executive officer of our Company. He was also appointed as the director of Data Star in April 2016. He is mainly responsible for assisting the chief executive officer in daily management of the Group for relevant coordination with internal management and external business alliances, including but not limited to the operation and management of the Information Technology and Human Resources Departments of the Group and the supervision of internal control implementation. Mr. CH Lee obtained a Bachelor of Science degree from the University of Toronto in November 2014. Prior to joining our Group, Mr. CH Lee had worked with various financial institutions, including the commercial banking department of the Hongkong and Shanghai Banking Corporation Limited responsible for arrangement of trade and/or guarantee transactions for corporation, Denz Capital Limited (primarily investing in private equity) as intern and risk control department of UBS responsible for internal control. Mr. CH Lee is a son of Mr. Lee and Ms. Lo.

Ms. Leung Yuen Ting joined our Group in May 2012 and was appointed as the financial controller of the Group responsible for general financial management and daily financial operations of the Group. Ms. Leung obtained her Bachelor of Business (Accountancy) from the Royal Melbourne Institute of Technology University, Australia, in September 2008. Ms. Leung has been a member of the Hong Kong Association of Accounting Technicians since 1995. Ms. Leung has over 25 years of experience in the accounting field. Prior to joining our Group, Ms. Leung has had experience working as in-house accountant for various companies, including, Far East Consortium International Limited, Card Protection Plan Limited, AET Flexible Space (Hong Kong) Limited, and EQ Corporate Management (HK) Limited.

Mr. Wang Chuangzhi joined the Group in March 2013 as the technical marketing manager. His scope of duties include market development, sales and marketing and customer development. Mr. Wang obtained his bachelor's degree in computer application engineering from the Air Force Engineering University in July 1999. Prior to joining our Group, Mr. Wang had around 18 years of experience in the engineering field. Mr. Wang has worked with Amlogic (Shanghai) Inc. as project leader responsible for, amongst others, providing technical solutions to customers on products and sales of electronic components, LSI Technology (Beijing) Co., Ltd. as senior field application engineer responsible for providing engineering support on electronic components for customers, Shenzhen Tecobest Technology Limited and Dongguan Changan Quan Zhi Electronic Factory as software engineer mainly responsible for software development.

Mr. Fu Xiaodong joined the Group in January 2015 as the sales director. His scope of duties include market development, sales and marketing and customer development. Mr. Fu obtained his bachelor's degree majoring in International Economics and Trade from the Lanzhou Commercial College in July 1997. Prior to joining the Group, he had around 16 years of sales experience in the semiconductor and consumer electronics industry. Mr. Fu had worked with Sony Electronics (HK) Co., Ltd., Shenzhen Operation, Zoran Digital Technologies (Shenzhen) Limited, SRS Labs Inc., Shenzhen, Broadcom Shenzhen Representative Office and Shenzhen Hansino Electronics Company. From February 2005 to February 2010, Mr. Fu was a senior sales manager at Zoran Technology Shenzhen Limited, a company which was listed on the NASDAQ (stock code: ZRAN). From November 2010 to July 2011, he was a sales manager of SRS Labs, Inc., a company which was listed on the NASDAQ (stock code: SRSL). From August 2011 to September 2013, he was a senior sales account manager at Broadcom Corporation Shenzhen Representative Office, a company listed on the NASDAQ (stock code: BRCM).

None of our senior management described above has held directorships in any companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

Company Secretary

Ms. Tang Yuen Ching Irene, certified public accountant, was appointed the Company Secretary of our Group on 29 March 2014 and was responsible for the corporate secretarial and compliance work of our Group. She obtained a Bachelor of Business Administration (Honours) in Accountancy from the Hong Kong Polytechnic University in November 1991. Ms. Tang is a member of the Hong Kong Institute of Certified Public Accountant and a fellow member of the Association of Chartered Certified Accountants. Prior to joining our Group, Ms. Tang had over 15 years of company secretarial experiences. She also has more than 20 years of experiences working in the financial reporting and auditing field.

Prior to joining the Group in August 2012, Ms. Tang served as (i) the company secretary, the chief financial officer and an authorized representative of China Medical and Bio Science Limited (now known as China Demeter Financial Investments Limited, a company listed on the GEM of the Stock Exchange (stock code 8120), during the period from October 2011 to December 2011; (ii) the company secretary and an authorized representative of Tanrich Financial Holdings Limited (now known as Southwest Securities International Securities Limited), a company listed on the Main Board of the Stock Exchange (stock code 812), during the period from November 2010 to June 2011; and (iii) the company secretary and finance director of Joeone International Investments Holdings Limited during February 2008 to December 2009. Ms. Tang also served as (i) the qualified accountant and financial controller of Asian Information Resources (Holdings) Limited (now known as Asian Capital Resources (Holdings) Limited), a company listed on the GEM of the Stock Exchange (stock code 8025), during the period from November 2004 to June 2006; (ii) the qualified accountant (from January 2003 to April 2004), and an executive director, the compliance officer and an authorized representative (from February 2003 to April 2004), of Leadership Publishing Group Limited (last known as Sing Pao Media Enterprises Limited), a company listed on the GEM of the Stock Exchange (stock code 8010) and has been delisted in August 2015. Ms. Tang also served as the financial controller of Sing Pao Newspaper Distribution Limited during the period from 1 February 2003 to 16 April 2004, being a wholly owned subsidiary of the Leadership Publishing Group Limited. Ms. Tang was also the company secretary of Leadership Publishing Group Limited between April 2003 to April 2004. Furthermore, Ms. Tang served as the chief financial officer, an executive director, the compliance officer, an authorized representative, the company secretary and the qualified accountant of Wanasports Holdings Limited during the period from June 2001 to March 2002, (stock code 8020), being a company listed on the GEM of the Stock Exchange and has been delisted in March 2006. For the period from January 2001 to June 2001, Ms. Tang worked as an audit manager in Horwath Hong Kong CPA Limited (now known as Shu Lun Pan Hong Kong Limited). Before that, Ms. Tang was employed by Graham H.Y. Chan & Co. from 1991 to 2000 and left as an audit manager, the current auditor and reporting accountants of our Company.

As at the Latest Practicable Date, Ms. Tang is the company secretary of Hong Wei (Asia) Holdings Company Limited, a company listed on the GEM of the Stock Exchange (stock code 8191) and the company secretary of Quali-Smart Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code 1348).

In the three years preceding the Latest Practicable Date, Ms. Tang had not held any directorship in any listed company.

BOARD COMMITTEES

Audit Committee

We have established an audit committee pursuant to a resolution of our Directors passed on 15 February 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. Our audit committee consists of 3 members, comprising all the independent non-executive Directors, namely Mr. Yim, Mr. Cheung and Dr. Chow. Mr. Yim is the chairman of our audit committee. The primary duties of the audit committee are mainly (i) to review and supervise the financial reporting process and to oversee the audit process of the Group, (ii) to oversee internal control procedures and corporate governance of our Group, (iii) to supervise internal control systems of our Group; and (iv) and to monitor any continuing connected transactions.

Remuneration Committee

We have established a remuneration committee pursuant to a resolution of our Directors passed on 15 February 2018 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. Our remuneration committee currently consists of three members, comprising one executive Director and two independent non-executive Directors, namely Mr. Lee, Mr. Yim and Mr. Cheung. Mr. Cheung is the chairman of our remuneration committee. The primary duties of the remuneration committee are mainly (i) to develop a transparent policy in relation to remuneration; (ii) to review the remuneration policy and the structure relating to all Directors and senior management of our Group; (iii) to review performance based remunerations payable to Directors and senior management of our Group; and (iv) to make recommendations on other remuneration-related arrangement, such as, housing allowance and bonuses payable to Directors and senior management of our Group.

Nomination Committee

We have established a nomination committee pursuant to a resolution of our Directors passed on 15 February 2018 with written terms of reference in compliance with the CG Code. Our nomination committee currently consists of three members, comprising one executive Director and two independent non-executive Directors, namely Mr. Lee, Mr. Cheung and Dr. Chow. Mr. Lee is the chairman of our nomination committee. The primary duties of the nomination committee are (i) to review the structure, size and composition of the Board on a regular basis; (ii) to make recommendations to our Board relating to the appointment and removal of Directors; (iii) to identify individuals suitably qualified to become members of the Board; and (iv) to assess the independence of our independent non-executive Directors.

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, we will comply with the code provisions set out in the CG Code after the Listing.

Under code provision A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lee is our chief executive officer, and he also performs as the chairman of our Board as he has considerable experience in the semiconductor and other electronic components industry. Our Board believes that vesting the roles of both the chairman of our Board and the chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning of our Group.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Our Directors receive remuneration in the form of director fees, performance bonuses, discretionary bonuses, and/or other benefits in kind. Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management by reference to, among others, market level of remuneration paid by comparable companies and their respective performance, duties and competence.

After the Listing, the remuneration packages of our executive Directors, independent non-executive Directors and senior management will be linked more closely to the performance of our Group and the return to its Shareholders.

The aggregate amount of remuneration paid by us to our Directors (including fees, performance bonuses, discretionary bonuses, housing and other allowances and other benefits in kind) for FY2014, FY2015, FY2016, FP2017 and FY2017 were approximately HKD972,000, HKD1,432,000, HKD1,784,000, HKD820,000 and HKD1,760,000 (unaudited) respectively. Further information on the remuneration of each Director during the Track Record Period is set out in note 15 of the Accountants' Report of our Company as set out in Appendix I to this prospectus.

The aggregate amount of remuneration (including fees, performance bonuses, discretionary bonuses, housing and other allowances and other benefits in kind) paid by us to our five highest paid individuals (including Directors) for FY2014, FY2015, FY2016, FP2017 and FY2017 were approximately HKD2.5 million, HKD3.2 million, HKD5.3 million, HKD2.3 million and HKD5.3 million (unaudited) respectively.

Except as disclosed above, no other payment was paid or are payable, in respect of each FY2014, FY2015, FY2016 and FY2017, by the Group to or on behalf of any Directors.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office during the Track Record Period. None of our Directors waived or agreed to waive any emoluments during the Track Record Period.

EMPLOYEES

As at 31 December 2014, 2015, 2016 and 2017, the breakdown of our Group's full-time employees by principal functions is set out below:

	As at 31 December			
	2014	**2015**	**2016**	**2017**
Accounting	5	5	6	9
Administration	7	8	12	13
Engineer	18	15	15	17
Sales and Marketing	22	22	39	56
Management	5	7	7	7
Total	**57**	**57**	**79**	**102**

Our relationship with employees

Our Group relies on highly qualified and motivated employees and we seek to maintain good working relationships with them. We offer extensive opportunities for all employees to grow and advance their careers. We provide trainings to our employees in relation to updates in industry's rules and regulations and industry safety requirements. We also create a culture in which all employees are empowered to make their contributions to the Group.

The remuneration packages of our Group's employees included salary and employee benefit plans required by laws and regulations. In general, our Group reviewed the performance of our employees annually, the results of which were used in his or her annual salary review and promotion appraisal.

Save as disclosed in the paragraph headed "Business – Dispute with past employee" in this prospectus, our Group has not experienced any significant problems with our employees or material disruption to our business operations arising from labour disputes, nor have we experienced any difficulties in recruitment and retention of experienced employee during the Track Record Period.

COMPLIANCE ADVISER

Our Company has appointed Ample Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our Company must consult with, and if necessary, seek advice from, the compliance adviser on a timely basis in the following circumstances:

- before the publication of any regulatory announcement, circular and financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares under Rule 13.10 of the Listing Rules.

The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account of any share which may be issued upon exercise of the Over-allotment Option and any Share which may be issued upon exercise of any options which may be granted under the Share Option Scheme), our Company's ultimate Controlling Shareholder, Mr. Lee, through Best Sheen (a company wholly-owned by him), will be interested in an aggregate of 75% of the issued share capital of our Company. As Best Sheen and Mr. Lee are directly or indirectly entitled to exercise or control the exercise of 30% or more of the voting power of general meetings of our Company immediately following the Listing, each of Best Sheen and Mr. Lee shall be regarded as a Controlling Shareholder under the Listing Rules.

Mr. Lee, the ultimate Controlling Shareholder, is one of the executive Directors and the chairman of the Board. For details, please refer to the section headed "Directors, Senior Management and Employees – Board of Directors and Senior Management – Executive Directors" of this prospectus.

DISCLOSURE PURSUANT TO RULE 8.10 OF THE LISTING RULES

Each of the Controlling Shareholders confirms that as of the Latest Practicable Date, he or it did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our Group's business, and requires disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, the Directors are satisfied that our Group is capable of carrying on its business independently from the Controlling Shareholders and their close associates upon the completion of the Global Offering.

Management Independence

The Directors consider that the Board and senior management will function independently from the Controlling Shareholders because:

(a) Board Structure

The Board comprises five Directors, among them are two executive Directors and three independent non-executive Directors.

Furthermore, the independent non-executive Directors have extensive experience in corporate management and have been appointed to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions.

The Directors believe that the balanced mix of Directors with different professional backgrounds and expertise will provide our Company with balanced views and opinions, which are in the interests of our Company and the Shareholders as a whole. The Board acts collectively and makes decisions in accordance with the Articles and applicable laws and regulations, so no single Director or Controlling Shareholder is supposed to be able to make any decisions unless authorized by the Board.

The independent non-executive Directors provide checks and balances over the Board's decision-making on significant transactions. The audit committee of the Board, which comprises solely of the three independent non-executive Directors, is responsible for reviewing potential conflicts of interest (if any) as well as reviewing connected transactions (if any) falling within the scope of Chapter 14A of the Listing Rules. Such committee is also responsible for reviewing and approving the financial reporting process, risk management and internal control systems of our Group.

Other than the audit committee, the Board has also established a remuneration committee to ensure that Directors and senior management are properly remunerated without being over compensated. Our Group also has a nomination committee which is responsible for ensuring that only person with capability and relevant experience are appointed as Directors and assessing the independence of the Directors on an annual basis.

(b) Disclosure of Interests

The Directors are aware of their fiduciary duties as a Director which require, among others, that they act for the benefit and in the best interests of our Company and do not allow any conflict between their duties as Directors and their personal interests. In the event there is a material potential conflict of interest arising out of any transaction to be entered into between our Group and the Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum except permitted under the Articles and/or the Listing Rules. For details, please refer to Appendix V to this prospectus.

(c) Participation and Voting in the Board Meeting

According to the Articles, questions arising at the Board meetings shall be determined by a majority of votes. In the case of any equality of votes, the chairman of the meeting shall have an additional or casting vote. As noted above, the majority of the Board is represented by Directors who are not Controlling Shareholders or parties acting in concert with the Controlling Shareholders, and therefore the Directors are of the view that the Board is capable of making corporate decisions independently from the Controlling Shareholders.

(d) Participation and Voting in General Meeting

There are no limitations under the Articles on the rights of any holders of Shares to hold or vote such Shares in accordance with the Articles. Where our Company has knowledge that any Shareholder is under the rules of the Designated Stock Exchange (as defined in the Articles) required to abstain from or restricted from voting on any particular resolution of our Company or restricted to vote only for or only against any particular resolution of our Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted. Any transaction or arrangement between our Company and the Controlling Shareholders or their associates shall be governed by Chapter 14A of the Listing Rules, which provides that certain categories of connected transactions shall be subject to independent Shareholders' approval.

Operational Independence

All relevant intellectual properties and facilities necessary to carry on its businesses of distribution of electronic components and provision of technical support services are held by our Company. our Company has sufficient capital, facilities and employees to operate the business independently from the Controlling Shareholders. Our Company also has independent access to the customers and suppliers and an independent management team to operate the business. Internal control procedures are available to ensure effective operation of our business.

Save for AVTE and CIL, to the best knowledge of the Directors, all the suppliers and customers are Independent Third Parties.

Financial Independence

Our Group has an independent internal control and accounting system. It also has an independent accounting department responsible for discharging the treasury function. Our Group is capable of obtaining financing from third parties, if necessary, without reliance on the Controlling Shareholders.

Our Group's outstanding bank borrowings as at 30 September 2017 was approximately HK$520.3 million. Our Group's bank borrowings were secured by trade receivables of the Group with an aggregate carrying amount of approximately HK$419.0 million, the legal charge over the investment properties of the Group, leasehold land and buildings of approximately HK$42.3 million of our Group, property of Mr. Lee and properties owned by the companies controlled by Mr. Lee, insurance policy executed by a related company, personal guarantees executed by Mr. Lee, Ms. Lo, Mr. CH Lee and Mr. Pai, and corporate guarantee executed by related companies.

Our Directors confirm that all outstanding loans or borrowings from our Controlling Shareholder, Mr. Lee, or any of his respective associates will be fully settled before the Listing. For the bank loan facilities granted to our Group, all related personal guarantees and third party mortgage provided by Mr. Lee and/or other persons will be released upon Listing and will be replaced by corporate guarantee from our Company. As at the Latest Practicable Date, our Group had obtained written consents in principle from the creditor banks that such personal guarantees and mortgages will be released if Listing occurs. Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the Listing as we expect that our working capital will be funded by our operating income.

Based on the above, the Directors are of the view that they and the senior management are capable of carrying on the business independently of, and do not place undue reliance on the Controlling Shareholders and their close associates after the Listing.

DEED OF NON-COMPETITION

Our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time), under which each of our Controlling Shareholders has undertaken to our Company that they shall not, and shall procure their respective close associates (other than members of our Group) not to, during the Restricted Period (as defined below), directly or indirectly, either on own account, in conjunction with, on behalf of, or through any person, firm or company, among other things, carry on, participate or be interested, engaged or otherwise involved in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business, in Hong Kong or elsewhere, of supplying Memory products, Data & Cloud products and General Components, and provision of related technical support services and any other new business which our Group may undertake from time to time after the Listing (the "**Restricted Business**").

The undertaking given by our Controlling Shareholders under the Deed of Non-competition does not apply to:

(a) the holding of, or interests in, the shares of any members of our Group; and

(b) the holding of, or interests in, the shares of a company (other than member of our Group):

(i) whose shares are listed on a recognised stock market (as defined under the SFO) provided that the total number of shares held by the relevant Controlling Shareholder and/or its/his close associates does not exceed 5% of the issued shares of that class of the company in question, and such Controlling Shareholder and its/his respective close associates would not participate in or be otherwise involved in the management of the company in question; or

(ii) whose revenue of the Restricted Business accounts for less than 5% of that company's or group of companies' consolidated revenue, as shown in its/their audited accounts.

The Deed of Non-competition will become effective upon the Global Offering becoming unconditional and remain in effect during the period (the "**Restricted Period**") from Listing until the earlier of the date on which:

(a) our Shares cease to be listed on the Stock Exchange; and

(b) our Controlling Shareholders, together with their respective close associates (other than members of our Group) cease to be the controlling shareholders (as defined under the Listing Rules) of our Company.

Each of our Controlling Shareholders has further undertaken, during the Restricted Period, to refer or procure to refer any business investment or other commercial opportunity relating to the Restricted Business (the "**New Opportunity**") identified by or offered to our Controlling Shareholders and/or any of their respective close associates (other than members of our Group) (the "**Offeror**") to our Group in the following manner:

(a) our Controlling Shareholders shall, and shall procure their respective close associates (other than members of our Group) to, promptly refer, or procure the referral of, the New Opportunity to our Group by giving written notice to our Company containing all information reasonably necessary for our Group to consider whether (i) the New Opportunity would constitute the Restricted Business; and (ii) it is in the interest of our Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the "**Offer Notice**");

(b) our Company shall, within ten business days from our Company's receipt of the Offer Notice, reply to the Offeror stating whether (i) the New Opportunity constitutes Restricted Business; and (ii) our Group is interested in pursuing the New Opportunity (the "**Reply**");

(c) in the event that our Group is interested in pursuing the New Opportunity, the Offeror shall use its/his best endeavours to procure such New Opportunity to be offered to our Group on terms no less favourable than the terms on which such opportunity is offered to the Offeror;

(d) in the event that our Group declined the New Opportunity but indicated in the Reply that the New Opportunity constitutes Restricted Business, the Offeror shall not invest or otherwise participate in the New Opportunity; and

(e) in the event that we indicated in the Reply that the New Opportunity does not constitute Restricted Business or we failed to provide our Reply within ten business days from our Company's receipt of the Offer Notice, the Offeror may invest or otherwise participate in the New Opportunity.

Upon receipt of the Offer Notice, we will seek opinions and decisions from a committee of our Board consisting only our independent non-executive Directors as to whether (i) the New Opportunity constitute Restricted Business; (ii) it is in the interest of our Company and our Shareholders as a whole to take up the New Opportunity; and (iii) to take up or decline the New Opportunity.

With a view to avoid competition of businesses between our Group and our Controlling Shareholders, our independent non-executive Directors will review the compliance with and enforcement of the Deed of Non-competition at least on an annual basis and the results of such review will be included in our annual report.

Each of our Controlling Shareholders has further undertaken to promptly:

(a) provide all relevant information for review by our independent non-executive Directors for compliance with and enforcement of the Deed of Non-competition;

(b) allow or procure to allow, subject to confidentiality restrictions imposed by any third party, our representatives, our auditors and (if necessary) our compliance adviser to have access to their business, financial and/or corporate records as may be necessary for our independent non-executive Directors to determine whether our Controlling Shareholders and their respective close associates (other than members of our Group) have complied with the Deed of Non-competition;

(c) make an annual declaration to be included in our annual report on compliance with and enforcement of the Deed of Non-competition in accordance with the Listing Rules; and

(d) address such other enquiries as may be made by the Stock Exchange, the SFC, any other regulatory bodies or our Company from time to time.

Our Controlling Shareholders, for themselves and on behalf of their respective close associates (other than members of our Group), have also acknowledged that we may be required by the relevant laws, rules and regulations of the Stock Exchange and the regulatory bodies having jurisdiction over our Company from time to time to:

(a) disclose information on the New Opportunity, the decision of our independent non-executive Directors to pursue or decline the New Opportunity, together with the reason in case of decline, and our Controlling Shareholders have agreed to the disclosure to the extent necessary to comply with any such requirement, subject to confidentiality restrictions imposed by any third party; and

(b) comply with such further legal or regulatory requirements in connection with the Deed of Non-competition and our Controlling Shareholders have agreed to do all such acts to facilitate our Company to comply with the same.

Our Controlling Shareholders have further jointly and severally undertaken that they will not, and will procure their respective close associates not to:

(a) directly or indirectly, solicit, interfere with or entice away from any member of our Group, any natural person, legal entity, enterprise or otherwise who, to any of our Controlling Shareholders' knowledge, as at the date of such solicitation, interference or enticing, is or, within a year thereof, was a customer, supplier, distributor or employee (of managerial grade or higher) of any member of our Group; or

(b) make use of any information pertaining to the business of our Group which may have come to its/his knowledge in its/his capacity as a Controlling Shareholder or otherwise for any purpose of engaging, investing or participating in any Restricted Business.

CORPORATE GOVERNANCE MEASURES

The Directors recognise the importance of good corporate governance in protecting the Shareholders' interests. Our Company has adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Company and the Controlling Shareholders:

(a) under the Articles, where a Shareholders' meeting is to be held for considering proposed transactions in which any of the Controlling Shareholders or any of their associates has a material interest, the relevant Controlling Shareholders or their associates will abstain from voting on the relevant resolutions;

(b) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with the Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;

(c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and the Controlling Shareholders (the "Annual Review") and provide impartial and professional advice to protect the interests of the minority Shareholders;

(d) the Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;

(e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;

(f) where the Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and

(g) our Group has appointed Ample Capital as its compliance adviser to provide advice and guidance to our Group in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.

Based on the above, the Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and the Controlling Shareholders, and to protect the minority Shareholders' interests after the Listing.

Our Group has entered into the following transaction with its connected persons which is expected to continue after Listing and which will, upon Listing, constitute continuing connected transaction under the Listing Rules which is subject to the announcement, disclosure and annual review and reporting requirements under Chapter 14A of the Listing Rules:

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

Lease of Office Premises from Mr. Lee and Ms. Lo

On 30 June 2013, the PRC Subsidiary entered into a tenancy agreement (the "2013 Agreement") with Mr. Lee and Ms. Lo in respect of the leasing of the Shenzhen office premises, as supplemented by an agreement dated 12 March 2014 (the "2014 Agreement"), and renewed by an agreement dated 24 June 2015 (the "2015 Agreement") and an agreement dated 8 May 2017 (the "2017 Agreement") (the 2013 Agreement, the 2014 Agreement, the 2015 Agreement and the 2017 Agreement collectively as the "SZ Office Tenancy Agreements"), the principal terms of which are as follows:

Parties	:	Mr. Lee and Ms. Lo as landlords PRC Subsidiary as tenant
Premises being leased	:	Unit A1303, Tianan High-Tech Plaza, Futian District, Shenzhen Shi, Guangdong Province, China (深圳市福田區車公廟天安創新科技廣場1期 A1303室) (the "SZ Office Premises")
Tenancy Term(s)	:	(1) for 2013 Agreement, from 1 July 2013 to 30 June 2014; (2) for 2014 Agreement, from 1 July 2014 to 30 June 2015; (3) for 2015 Agreement, from 1 July 2015 to 30 June 2017; (4) for 2017 Agreement, from 1 July 2017 to 30 June 2019
Rental	:	(1) for 2013 Agreement, RMB48,000 per month, exclusive of royalties, management fees, taxes and other charges, payable on or before the 10th of each calendar month; (2) for 2014 Agreement, RMB51,000 per month, exclusive of royalties, management fees, taxes and other charges, payable on or before the 10th of each calendar month; (3) for 2015 Agreement, RMB55,000 per month, exclusive of royalties, management fees, taxes and other charges, payable on or before the 10th of each calendar month; (4) for 2017 Agreement, RMB58,000 per month, exclusive of royalties, management fees, taxes and other charges, payable on or before the 10th of each calendar month
Deposit	:	Nil

The total amount of rental paid by our Group in respect of the lease of the SZ Office Premises for FY2014, FY2015 and FY2016 were RMB594,000 (equivalent to approximately HK$712,800), RMB636,000 (equivalent to approximately HK$763,000) and RMB660,000 (equivalent to approximately HK$792,000) respectively.

The terms of each of the SZ Office Tenancy Agreements were negotiated on an arm's length basis and the rental chargeable under each of the SZ Office Tenancy Agreements was in line with the then prevailing market rent.

MAXIMUM RENTAL PAYABLE

Based on the monthly rental payable under 2017 Agreement, it is expected that the aggregate rental payable by our Group to Mr. Lee and Ms. Lo pursuant to the 2017 Agreement for the two years ending 31 December 2017 and 2018 and the six months ending 30 June 2019 will not exceed RMB678,000 (equivalent to approximately HK$813,600), RMB696,000 (equivalent to approximately HK$835,200) and RMB348,000 (equivalent to approximately HK$417,600), respectively.

LISTING RULES IMPLICATIONS

As Mr. Lee is a substantial Shareholder, the chairman and an executive Director of our Group, he is regarded as a connected person of our Group under the Listing Rules. Ms. Lo, being the spouse of Mr. Lee, is considered an associate of Mr. Lee and is therefore regarded as a connected person of our Group.

As the applicable percentage ratios under Chapter 14 of the Listing Rules for the transaction under the 2017 Agreement is on an annual basis less than 5% and the annual total consideration is less than HK$3 million, by virtue of Rule 14A.76(1)(c) of the Listing Rules, such transaction constitutes a de minimis continuing connected transaction fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Confirmation from the Directors

Our Directors (including the independent non-executive Directors) are of the view that (i) each of the SZ Office Tenancy Agreements was entered into in the ordinary and usual course of business of our Group; (ii) the aggregate rental payable thereunder for the two years ending 31 December 2017 and 2018 and the six months ending 30 June 2019 as set out above are fair and reasonable; and (iii) their terms are on normal commercial terms and are fair and reasonable, and are in the interests of our Company and our Shareholders as a whole.

Confirmation from the Sponsor

The Sponsor is of the view that (i) each of the SZ Office Tenancy Agreement was entered into in the ordinary and usual course of business of our Group, and are on normal commercial terms; (ii) the terms of the SZ Office Tenancy Agreement are fair and reasonable and in the interests of our Shareholders and our Group as a whole; and (iii) the aggregate rental payable under the SZ Office Tenancy Agreement for the two years ending 31 December 2017 and 2018 and the six months ending 30 June 2019 as set out above are fair and reasonable and in the interests of our Shareholders and our Group as a whole.

So far as our Directors are aware, the following persons or entities will, immediately following the completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and taking no account of any Shares that may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	The Group company concerned	Capacity	Class and number of securities held (L) *(Note 1)*	Approximate percentage of the Group company concerned
Best Sheen	the Company	Beneficial owner	750,000,000 ordinary shares (L)	75%
Mr. Lee	the Company	Interest of controlled corporation *(Note 2)*	750,000,000 ordinary shares (L)	75%
Ms. Lo	the Company	Interest of spouse *(Note 3)*	750,000,000 ordinary shares (L)	75%
Mr. Pai	Data Star	Beneficial owner	616,000 ordinary shares (L)	28%

Notes:

1. The letter "L" denotes the entity/person's long position in the Shares.

2. As at the Latest Practicable Date, the entire issued share capital of Best Sheen is held by Mr. Lee. Accordingly, Mr. Lee is deemed to be interested in the Shares held by Best Sheen under the SFO.

3. Ms. Lo is the spouse of Mr. Lee and is therefore deemed to be interested in the Shares in which Mr. Lee is interested in under the SFO.

Save as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

SHARE CAPITAL

The following is a description of the share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately after the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued under the Over-allotment Option and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme):

Authorized share capital

		HK$
2,000,000,000	Shares of par value of HK$0.01 each	20,000,000

Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Global Offering

		HK$
100	Shares in issue as at the date of this prospectus	1
749,999,900	Shares to be issued pursuant to the Capitalisation Issue	7,499,999
250,000,000	Shares to be issued pursuant to the Global Offering	2,500,000
1,000,000,000	Shares in total	10,000,000

Note: If the Over-allotment Option is exercised in full, then 37,500,000 additional Shares will be issued resulting in a total issued share capital of 1,037,500,000 Shares with an aggregate nominal value of HK$10,375,000.

Assumptions

The above table assumes that the Global Offering has become unconditional and the issue of Offer Shares pursuant thereto is made as described herein. It does not take into account: (i) any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme; (ii) any Shares which may be allotted and issued pursuant to the issuing mandate (as described below); or (iii) any Shares which may be repurchased by our Company pursuant to the repurchase mandate (as described below).

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The 250,000,000 Offer Shares represent 25% of the issued share capital of our Company upon Listing.

RANKING

The Offer Shares will rank pari passu in all respects with all of the Shares now in issue or to be issued as mentioned in this prospectus, and in particular, will rank in full for all dividends or other distributions hereafter declared, made or paid on the Shares on or after the date on which they are issued, save for any entitlement to the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the written resolutions of the sole Shareholder passed on 15 February 2018 and subject to the conditions set out therein, our Directors were authorized to allot and issue a total of 749,999,900 Shares credited as fully paid at par to the Shareholder(s) whose name appear(s) on the register of members of our Company at close of business on 15 February 2018 by way of capitalisation of an amount of HK$7,499,999 standing to the credit of the share premium account of our Company. The Shares so allotted and issued shall rank *pari passu* in all respects with the existing issued Shares. For further details, please see the paragraph headed "A. Further information about our Group – 4. Written resolutions of the sole Shareholder passed on 15 February 2018" in Appendix VI to this prospectus.

ISSUING MANDATE

Subject to the Global Offering becoming unconditional, the Directors have been granted a general and unconditional mandate to allot, issue and deal with the Shares with a total number not exceeding:

(i) 20% of the number of Shares in issue immediately following the completion of the Global offering and the Capitalisation Issue (not including Shares which may be allotted and issued pursuant to the Over-allotment Option and the exercise of the options which may be granted under the Share Option Scheme); and

(ii) the aggregate number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described below.

The Directors may, in addition to the Shares which they are authorized to issue under the mandate, allot, issue and deal in the Shares pursuant to a rights issue, exercise of subscription rights attaching to any warrants of our Company, scrip dividends or similar arrangements or the exercise of subscription rights attaching to share options under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted.

The issuing mandate will expire at the earliest of:

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

(ii) the expiration of the period within which our Company is required by the Articles or any applicable law to hold our next annual general meeting; or

(iii) the passing of an ordinary resolution by our Shareholders at a general meeting revoking, varying or renewing such mandate

Further details of this issuing mandate are contained in the paragraph headed "A. Further information about our Group - 4. Written resolutions of the sole Shareholder passed on 15 February 2018" in Appendix VI to this prospectus.

REPURCHASE MANDATE

Subject to the Global Offering becoming unconditional, the Directors have been granted a general and unconditional mandate to exercise all the powers of our Company to repurchase Shares on the Stock Exchange with a total number not more than 10% of the number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (not including Shares which may be allotted and issued pursuant to the Over-allotment Option and the exercise of the options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange and such repurchases shall be made in accordance with the requirements of the Listing Rules, the Articles and all applicable laws, regulations and rules. A summary of the relevant Listing Rules is set out in the paragraph headed "A. Further information about our Group - 6. Repurchase by our Company of its own securities" in Appendix VI to this prospectus.

The repurchase mandate will expire at the earliest of:

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

(ii) the expiration of the period within which our Company is required by the Articles or any applicable law to hold our next annual general meeting; or

(iii) the passing of an ordinary resolution by our Shareholders at a general meeting revoking, varying or renewing such mandate

Further details of this repurchase mandate are contained in the paragraph headed "A. Further information about our Group - 4. Written resolutions of the sole Shareholder passed on 15 February 2018" and "A. Further information about our Group - 6. Repurchase by our Company of its own securities" in Appendix VI to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" in Appendix VI to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in the Articles of Association. For details, please refer to Appendix V to this prospectus.

You should read this section in conjunction with our Group's audited consolidated financial information, including the notes thereto, as set out in the Accountants' Report set out in Appendix I to this prospectus (the "Consolidated Financial Information"). Our Group's Consolidated Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our Group's experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depend on a number of risks and uncertainties over which our Group does not have control. For further information, see the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a Hong Kong-based semiconductor and other electronic components distributor. We principally engage in the supply of digital storage products, which comprise our Memory and Data & Cloud products and general electronic components, along with our complimentary technical supports. Our customers are primarily market players in the TMT sector in the PRC and Hong Kong.

Since the commencement of our business in 2005, our Group has been focusing on identifying, sourcing, selling and distributing a wide variety of quality electronic components produced by brand name Upstream Manufacturers, which normally conduct sales through larger electronic components distributors like our Group. During the Track Record Period, the electronic components products sold by our Group can be broadly categorized by nature into three product types, including (i) Memory products; (ii) Data & Cloud products; and (iii) General Components.

Details of our business overview are set out in the section headed "Business – Overview" in this prospectus.

For FY2014, FY2015, FY2016, FP2016 and FP2017, our Group generated revenue of approximately HKD780.4 million, HKD1,121.2 million, HKD1,702.3 million, HKD1,120.9 million and HKD1,974.2 million respectively. Our net profit was approximately HKD11.3 million, HKD24.5 million, HKD44.8 million, HKD26.0 million and HKD33.8 million for the respective years/period. The significant growth in our revenue was mainly driven by the growth in sales of our digital storage products driven by the boost of IoT, consumer electronics markets and cloud technology.

The overall increase in our net profit during FY2014, FY2015, FY2016 and FP2017 was in line with the significant growth in our revenue and the improvement in our gross profit margin while partially offset by the significant increase in our administrative expense upon the expansion of business of the Group and recognition of our listing expense during FP2017.

BASIS OF PRESENTATION

Our Company was incorporated as a limited liability company in the Cayman Islands on 4 July 2012. Pursuant to the Reorganisation, as detailed in the section headed "History, Reorganisation and Group Structure — Reorganisation" of this prospectus, our Company became the holding company of all subsidiaries now comprising the Group subsequent to the end of the Track Record Period on 15 February 2018. Our companies now comprising our Group were under the common control of the controlling shareholder, Mr. Lee, before and after the Reorganisation. Accordingly, the Financial Information has been prepared on a combined basis by applying the principals of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

The financial information includes the combined statement of financial position, combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the companies now comprising our Group as if our existing group structure had been in existence throughout the Track Record Period or since their respective dates of incorporation or businesses first came under the common control of the controlling shareholder, whichever is the shorter period. The combined statements of financial position of our Group as at 31 December 2014, 2015, 2016 and 30 September 2017 have been prepared to present the assets and liabilities of our Group as at the respective dates as if the current group structure had been in existence at those dates. Transactions, balances and unrealised gain or losses on transactions between companies within our Group are eliminated on combination.

All intra-group transactions and balances have been eliminated on combination.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial position have been, and will continue to be, affected by a number of factors, including those set out below and in the section headed "Risk Factors" in this prospectus. Factors other than those set forth below could also have a significant impact on our results of operations and financial position in future.

The market demand of the electronic components industry in the PRC and Hong Kong

Our Group's ability to generate revenue and achieve profitability will depend on the performance of its existing business and products and the success of the implementation of its future business strategies. Our profitability of sales depends on the mix of customers in terms of the mix types and pricing of the products we sold to them. We relied on a few major customers during the Track Record Period. Any significant reduction of our purchase orders from our major customers or any termination of business relationship between our major customers and us, our businesses, financial position and results of operations might be adversely affected. In particular, our business expansion and revenue growth have been, and we expect them to continue to be, affected by the growth of the electronic components market in the PRC.

According to the Frost & Sullivan Report, driven by the increasing demand for electronic products worldwide, China, as one of the largest electronic product manufacturing and consumption country, has been experiencing notable growth in the sales value of electronic components. Distributors are playing an essential role in the value chain of electronic industry. In PRC and Hong Kong, the total sales value of electronic components distributors increased from HKD1,371.7 billion in 2011 to HKD2,258.4 billion in 2016, representing a CAGR of 10.5%. When broken by types of electronic components distributed, Data & Cloud components and memory components had noticeable growth rate in the past five years in the TMT market, which was a result of the growing application of cloud service and increasing sales of mobile electronic devices as well as multimedia devices, such as smart phones and set-top boxes. Going forward, the market of electronic components distribution is expected to further grow with the continuously enlarging downstream markets.

Cost of sales and gross profit margin

Fluctuation in the cost of sales and our ability to pass on any increase in the cost of sales to our customers will affect our total cost of sales and our gross profit margins. Our cost of sales is principally the purchase cost of electronic components products we sold to our customers. Our Group adopts a cost-plus pricing policy. When the prices offered to us by our Upstream Manufacturers fluctuate, our prices would be adjusted correspondingly. Our selling prices are hugely affected by the Upstream Manufacturers' pricing, which is beyond our control, and our Group may be unable to maintain historical profit margins in the future. Selling price of our Group's products may fall after the purchases of the products by our Group. If the drop in selling price is substantial, our Group may suffer loss from the sales and drop in inventory values and our Group's financial performance may be adversely affected. Fluctuations in our purchase prices of electronic components that we are unable to pass on to our customers could adversely affect our profit margins and profitability. Our operational results are therefore indirectly affected by our suppliers. Any increase in our procurement costs would cause a raise in our selling price. Consequentially, our products would be less competitive in the market and there could be a possible decrease in our profit margin. The demand for our electronic products is generally volatile and the market prices for electronic products and components are affected by changes in market demand. The change in selling prices of our Group's products depend substantially on demand from our Group's customers, and the market conditions for the end products of electronic components are beyond the control of our Group. According to the Frost & Sullivan Report, the current Chinese electronic components market comprises of large international distributors and a large number of domestic enterprises. In order to survive and achieve growth in this fierce competition, many distributors adopt a low profit margin strategy to win customers. Moreover, as the competition among Downstream Manufacturers is also escalating, selling prices of end products have been decreasing, which in turn leaves thinner margin for electronic components distributors.

Although our Group's gross profit margin is susceptible to movements in the purchase costs and other factors, our gross profit margin remained relatively stable ranging from approximately 4.6% to 5.5% during the Track Record Period. Our Group generally maintains our gross profit margin level by adopting a cost-plus pricing model.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates are those accounting policies and estimates that involve significant judgements and uncertainties and potentially yield materially different results under different assumptions and conditions. Note 5 to the Accountants' Report in Appendix I of this prospectus sets forth certain significant accounting policies. Our consolidated financial statements have been prepared in accordance with the HKFRSs, which requires that we adopt accounting policies and make estimates that we believe are the most appropriate in the circumstances for the purposes of giving a true and fair view of our financial performance and financial position. Estimates and judgements are based on historical experience, prevailing market conditions and rules and regulations, and are reviewed on a continual basis taking into account of the changing environment and circumstances.

Revenue Recognition

Our revenue is recognised when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably. Where our revenue are mainly derived from the sale of our electronic component products, when the significant risks and rewards of ownership have been transferred to the buyer, provided that our Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

Impairment of receivables

Our Group makes impairment of trade receivables based on assessments of the recoverability of the trade receivables, including the ageing analysis of the trade debts, the current creditworthiness and/or the past collection history of each debtor. Impairment arises where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debt requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will have impact on the carrying value of the trade receivables and doubtful debt expenses in the reporting period in which such estimate has been changed. As at 31 December 2014, 2015, 2016 and 30 September 2017, the carrying amounts of trade receivables were approximately HKD94.0 million, HKD170.6 million, HKD306.3 million and HKD530.3 million respectively. Our impairment loss on trade receivables amounted to approximately nil, HKD2.1 million, HKD2.1 million and HKD2.1 million as at 31 December 2014, 2015 and 2016 and 30 September 2017 respectively.

Allowance for slow-moving and obsolete inventories

Allowance for slow-moving and obsolete inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and the allowance charge/write-back in the period in which such estimate has been changed. As at 31 December 2014, 2015, 2016 and 30 September 2017, the carrying amounts of inventories were approximately HKD48.7 million, HKD60.9 million, HKD116.0 million and HKD197.7 million respectively. We had written down inventories amounted to approximately nil, HKD2.5 million, nil and HKD0.3 million for FY2014, FY2015, FY2016 and FP2017 respectively.

Fair value of investment properties

Our investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves assumption of market conditions. Our Directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of our Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the combined statements of profit or loss and other comprehensive income. The movements of fair value of our investment properties are set out in note 19 to the Accountants' Report in Appendix I to this prospectus.

SUMMARY OF FINANCIAL INFORMATION

Combined Statements of Profit or Loss and Other Comprehensive Income

The table below sets forth the selected financial information extracted from our Combined Statements of Profit or Loss and Other Comprehensive Income for FY2014, FY2015, FY2016 and FP2017 which have been extracted from, and should be read in conjunction with the Accountants' Report set forth in Appendix I to this prospectus:

	FY2014	FY2015	FY2016	FP2016	FP2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Revenue	780,387	1,121,206	1,702,322	1,120,930	1,974,225
Cost of sales	(744,459)	(1,067,488)	(1,608,030)	(1,064,769)	(1,877,002)
Gross profit	35,928	53,718	94,292	56,161	97,223
Other income	1,597	1,510	2,482	1,974	1,898
Increase in fair value of investment property	1,400	2,300	300	100	2,000
Distribution and selling expenses	(4,376)	(3,909)	(7,840)	(4,492)	(6,279)
Administrative expenses	(19,126)	(22,576)	(31,239)	(20,031)	(43,899)
Finance costs	(1,140)	(1,729)	(4,178)	(2,683)	(7,810)
Profit before tax	14,283	29,314	53,817	31,029	43,133
Income tax expense	(2,985)	(4,861)	(8,982)	(5,063)	(9,368)
Profit for the year/period	11,298	24,453	44,835	25,966	33,765
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	(60)	(92)	(65)	(26)	68
Total comprehensive income for the year/ period	11,238	24,361	44,770	25,940	33,833
Profit for the year/period attributable to:					
– Owners of the Company	11,298	24,453	39,741	25,374	25,212
– Non-controlling interests	–	–	5,094	592	8,553
	11,298	24,453	44,835	25,966	33,765
Total comprehensive income for the year/period attributable to:					
– Owners of the Company	11,238	24,361	39,676	25,348	25,280
– Non-controlling interests	–	–	5,094	592	8,553
	11,238	24,361	44,770	25,940	33,833

Combined Statements of Financial Position

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	363	314	52,007	50,707
Investment properties	46,800	49,100	49,400	51,400
Deferred tax assets	–	247	–	–
	47,163	49,661	101,407	102,107
Current assets				
Inventories	48,745	60,937	116,021	197,712
Trade receivables	94,040	170,606	306,284	530,319
Other receivables, deposits and prepayments	8,884	13,924	20,343	102,508
Bank balances and cash	17,518	16,128	55,971	66,436
	169,187	261,595	498,619	896,975
Current liabilities				
Trade payables	69,141	58,110	159,268	261,634
Other payables, accruals and deposit received	5,371	9,756	13,556	9,971
Amount due to a director	5,751	15,787	2,801	4,055
Amount due to related party	–	–	4,929	1,560
Bank borrowings, secured	47,088	116,970	262,434	520,277
Tax payable	980	3,322	4,565	12,655
	128,331	203,945	447,553	810,152
Net current assets	40,856	57,650	51,066	86,823
Total assets less current liabilities	88,019	107,311	152,473	188,930
Non-current liabilities				
Deferred tax liabilities	87	–	306	277
Net assets	87,932	107,311	152,167	188,653
Capital and reserves				
Share capital	3,000	3,000	–	–
Reserves	84,932	104,311	147,073	175,099
Equity attributable to owners of the Company	87,932	107,311	147,073	175,099
Non-controlling interests	–	–	5,094	13,554
Total equity	87,932	107,311	152,167	188,653

DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE OF OUR GROUP

Revenue

Our revenue represents the net amounts received and receivable for the electronic components products sold by our Group to our customers. During the Track Record Period, we generated our revenue principally from three major categories of products: (i) Memory products, (ii) Data & Cloud products, and (iii) General Components.

Revenue by types of products

The following table sets forth a breakdown of the revenue of our Group by types of products during the Track Record Period:

	FY2014		FY2015		FY2016		FP2016		FP2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Memory product	372,489	47.8	540,439	48.2	1,027,422	60.4	648,705	57.9	1,337,531	67.7
Data & Cloud products	237,411	30.4	480,394	42.8	553,734	32.5	390,039	34.8	407,268	20.6
General Components	170,487	21.8	100,373	9.0	121,166	7.1	82,186	7.3	229,426	11.7
	780,387	100	1,121,206	100	1,702,322	100	1,120,930	100	1,974,225	100

* Our Memory and Data & Cloud products are normally referred as Digital Storage products

The following table sets forth a summary of the sales volume and average selling price of our three major types of product by revenue for the Track Record Period.

	FY2014	FY2015	FY2016	FP2016	FP2017
	'000 unit	*'000 unit*	*'000 unit*	*'000 unit*	*'000 unit*
Sales volume					
Memory products	32,135	51,765	94,219	64,920	81,140
Data & Cloud products	98	524	1,227	870	906
General Components	99,505	82,847	95,825	77,037	807,224
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
Average selling price					
Memory products	11.6	10.4	10.9	10.0	16.5
Data & Cloud products	2,420.0	916.2	451.3	448.3	449.7
General Components	1.7	1.2	1.3	1.1	0.3

Note: Each unit is equivalent to a unit of package of our product sold *(i) Memory Products*

Memory products mainly refer to those integrated circuits made out of millions of transistors that can store data or can be used to process code. Memory products are widely used in multimedia and mobile devices and usually adhered to and being part of a motherboard. They have a major impact in user experiences in terms of user interaction response time and convenience of large storage space for video, image, and document contents.

During the Track Record Period, our revenue derived from the sales of our Memory products which accounted for approximately HKD372.5 million, HKD540.4 million, HKD1,027.4 million, HKD648.7 million and HKD1,337.5 million for FY2014, FY2015, FY2016, FP2016 and FP2017, representing approximately 47.8%, 48.2%, 60.4%, 57.9% and 67.7% of our revenue, respectively.

Our overall sales volume of Memory products was approximately 32.1 million units, 51.8 million units, 94.2 million units, 64.9 million units and 81.1 million units for FY2014, FY2015, FY2016, FP2016 and FP2017, respectively. The average selling price per unit of our Memory products sold was approximately HK$11.6, HK$10.4, HK$10.9, HK$10.0 and HK$16.5 for FY2014, FY2015, FY2016, FP2016 and FP2017, respectively. During the Track Record Period, we recorded an increasing trend in sales volume of our Memory products, mainly being our DDR and MMC products, which was in line with the growth in our revenue derived from our Memory products. During the Track Record Period, we encountered fluctuation in the average selling price of our Memory products, which was mainly subject to the change in market demand and the mix of storage capacity of DDR and MMC products we sold according to our customer's preference. The drop in our average selling price for the FY2015 as compared to FY2014 was mainly attributable to the substantial increase in sales of our DDR products which, however, had a decreasing trend in average selling price for FY2015 and FY2016 as we have recorded increased volume sales of DDR product with relative lower storage capacities. For FP2016 and FP2017, we recorded increased sales of both DDR and MMC products with relative higher storage capacities and, in particular, MMC products sourced from Supplier H were sold at higher average selling price, resulting in a rise in the average selling price of our Memory products.

(ii) Data & Cloud

Data & Cloud products are generally used in data centers such as enterprise-level secured server systems. Such components include various ICs and electronic accessories such as mass storage, networking and server components. Our Data & Cloud products are mainly used in enterprise-level cloud storage system. Both completed and substantially assembled hardware for server and storage systems with RAID cards and accessories offered to suit customers' unique requirements and specifications. Our Data & Cloud products can be used independently in servers and mass storage systems and also serve to integrate the servers to mass storage systems and other peripheral devices.

During the Track Record Period, our revenue derived from the sales of our Data & Cloud products accounted for approximately HKD237.4 million, HKD480.4 million, HKD553.7 million, HKD390.0 million and HKD407.3 million for FY2014, FY2015, FY2016, FP2016 and FP2017, representing approximately 30.4%, 42.8%, 32.5%, 34.8% and 20.6% of our overall revenue, respectively.

Our overall sales volume of Data & Cloud products was approximately 0.1 million units, 0.5 million units, 1.2 million units, 0.9 million units and 0.9 million units for FY2014, FY2015, FY2016, FP2016 and FP2017, respectively. The average selling price per unit of our Data & Cloud products sold was approximately HK$2,420.0, HK$916.2, HK$451.3, HK$448.3 and HK$449.7 for FY2014, FY2015, FY2016, FP2016 and FP2017, respectively. During the Track Record Period, we have recorded an increasing trend in sales volume of our Data & Cloud products mainly being, our RAID cards, storage IC and data server/storage products. The growth of FY2014, FY2015 and FY2016 was in line with the increasing trend in the revenue of our Data & Cloud products.

For FY2015, the growth in sales volume of RAID cards and storage IC components outweighing the growth in the sales of our integrated data server/storage systems. As a result, the average selling price of our Data & Cloud products dropped significantly as RAID cards and storage IC components generally had a significant lower average per unit selling price as compared to our data server/storage systems products which are by nature the integrated forms of Data & Cloud components. Since FY2016, there is a substantial change in our customer's preference from ordering our integrated data server/storage systems to ordering separate Data & Cloud electronic components, mainly being our RAID cards and storage IC components and assembling themselves for cost-saving purpose, leading to a further drop in the average selling price per unit of our Data & Cloud products in FY2016 and FP2017. Such drop was slightly overweighted by the significant growth in sales of NIC (Network Interface Controller) cards that controls and channels data with a relative higher selling price per unit, resulted in a stable average selling price per unit of our Data & Cloud products in FP2017.

(iii) General Components

Our Group also offers General Components, including switches, connectors, passive components, main chips, sensors, and power semiconductors, which are applicable to mobile and multimedia devices.

During the Track Record Period, our revenue derived from the sales of our General Components products accounted for approximately HKD170.5 million, HKD100.4 million, HKD121.2 million, HKD82.2 million and HKD229.4 million for FY2014, FY2015, FY2016, FP2016 and FP2017, representing approximately 21.8%, 9.0%, 7.1%, 7.3% and 11.7% of our revenue, respectively.

Our overall sales volume of General Components were approximately 99.5 million units, 82.8 million units, 95,8 million units, 77.0 million units and 807.2 million units for FY2014, FY2015, FY2016, FP2016 and FP2017, respectively. The average selling price per unit of our general components products sold was approximately HK$1.7, HK$1.2, HK$1.3, HK$1.1 and HK$0.3 for FY2014, FY2015, FY2016, FP2016 and FP2017, respectively. For FY2015, we recorded a drop in sales volume and average selling price of our General Components products mainly applied to the production and assembling of a series of multimedia devices, such as DVD player and standard definition set-top box. For FY2016, we have recorded a growth in sales volume of General Components, mainly driven by the growth in our sales volume of switch and power management IC components which were mainly applicable to mobile devices. Among which, the power management IC components had a higher average selling price, which drove up the averaging unit selling price of our General Components in FY2016. For FP2017, we recorded a significant growth in sales volume of our General Components, which was mainly driven by the increase in sales of inductor and capacitor components and main chip components for the use of assembling of smart TV and set-top box. Such inductor and capacitor components had a very low average selling price, resulting in a significant drop in the average selling price of our General Components products.

Revenue by product application

Our products sold to our customers were broadly applied to the production and assembling of a variety of electronic products used in daily life. Our products are electronic components that are applicable mainly to (i) multimedia devices; (ii) data centers; and/or (iii) mobile devices.

The following table sets forth a breakdown of our Group's revenue by nature of applications during the Track Record Period:

	FY2014		FY2015		FY2016		FP2016		FP2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (*unaudited*)	*%*	*HK$'000*	*%*
Multimedia devices	483,904	62.0	505,228	45.0	753,421	44.3	495,590	44.2	1,141,902	57.9
Data centers	237,411	30.4	480,579	42.9	553,741	32.5	390,044	34.8	407,268	20.6
Mobile devices	59,072	7.6	135,399	12.1	395,160	23.2	235,296	21.0	425,055	21.5
	780,387	100	1,121,206	100	1,702,322	100	1,120,930	100	1,974,225	100

(i) Multimedia Devices Application

A multimedia device is a mixture of different media that is characterized by the ability to handle very diverse data types like audio, video, animation, images, and graphics. Types of multimedia devices include set-top boxes, smart TVs, Blu-ray players, VR devices, digital video cameras and gaming consoles, etc. These devices are becoming more commonly used, for instance, in education, business, entertainment and communication.

During the Track Record Period, our revenue derived from product with application in multimedia devices accounted for approximately HKD483.9 million, HKD505.2 million, HKD753.4 million, HKD495.6 million and HKD1,141.9 million for FY2014, FY2015, FY2016, FP2016 and FP2017, representing approximately 62.0%, 45.0%, 44.3%, 44.2% and 57.9% of our revenue, respectively.

(ii) Data Centers Application

Data centers refer to the tremendous amount of secondary storage required by large enterprises, for example, banks and telecommunication operators are required to process and keep a vast quantity of information electronically in their day-to-day operations, giving rise to the demand for reliable, highly-secured and large capacity storage facility.

During the Track Record Period, our revenue derived from product with application in data centers accounted for approximately HKD237.4 million, HKD480.6 million, HKD553.7 million, HKD390.0 million and HKD407.3 million for FY2014, FY2015, FY2016, FP2016 and FP2017, representing approximately 30.4%, 42.9%, 32.5%, 34.8% and 20.6% of our revenue, respectively.

(iii) Mobile Devices Application

Mobile devices refer to portable computing devices, such as smart phones, tablets and smart wearables, which are widely used in this present day. Since these mobile devices are designed to be portable, their carry parts and components are compact and small in sizes. Our Group offers Memory products such as eMMC, MMC, eMCP, MCP that would be well-suited for these devices.

During the Track Record Period, our revenue derived from product with application in mobile devices accounted for approximately HKD59.1 million, HKD135.4 million, HKD395.2 million, HKD235.3 million and HKD425.1 million for FY2014, FY2015, FY2016, FP2016 and FP2017, representing approximately 7.6%, 12.1%, 23.2%, 21.0% and 21.5% of our revenue, respectively.

The following table sets forth a breakdown of our Group's revenue from different types of product by application during the Track Record Period:

	FY2014		FY2015		FY2016		FP2016		FP2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Memory										
– Multimedia devices	352,430	45.2	426,299	38.0	675,110	39.7	447,680	40.0	944,157	47.8
– Mobile devices	20,059	2.6	114,140	10.2	352,312	20.7	201,025	17.9	393,374	19.9
Subtotal	372,489	47.8	540,439	48.2	1,027,422	60.4	648,705	57.9	1,337,531	67.7
Data & Cloud product										
– Data centers	237,411	30.4	480,394	42.8	553,734	32.5	390,039	34.8	407,268	20.6
Subtotal	237,411	30.4	480,394	42.8	553,734	32.5	390,039	34.8	407,268	20.6
General Components										
– Multimedia devices	131,474	16.8	78,929	7.1	78,311	4.6	47,910	4.3	197,745	10.0
– Data centers	–	–	185	0.0	7	0.0	5	0.0	–	–
– Mobile devices	39,013	5.0	21,259	1.9	42,848	2.5	34,271	3.0	31,681	1.7
Subtotal	170,487	21.8	100,373	9.0	121,166	7.1	82,186	7.3	229,426	11.7
Total Revenue	780,387	100	1,121,206	100	1,702,322	100	1,120,930	100	1,974,225	100

According to the Frost & Sullivan Report, driven by the increasing demand for electronic products worldwide, China as one of the largest electronic component product manufacturing and consumption country has been experiencing notable growth in the sales value of electronic components. For the FY2014, FY2015, FY2016, FP2016 and FP2017, our overall revenue was approximately HKD780.4 million, HKD1,121.2 million, HKD1,702.3 million, HKD1,120.9 million and HKD1,974.2 million respectively. As disclosed in section headed "Industry Overview - Authorised Distributors (with Authorised Distributor status)" of this Prospectus, overlapped coverage and fierce competition among Authorised Distributors are avoided under the control of Upstream Manufacturers. Therefore, despite having the same Upstream Manufacturers, our Directors believe that it is not easy for Authorised Distributors and/or market competitors to replicate and adopt the Group's strategy of expanding the number of brand name Upstream Manufacturers. As our Group has also been continuously developing our sales network as well as sourcing a optimum combination of quality products to our customers, our Directors believe the combined effect of which had result in our outperformance against the market. On top of our ability to capture the overall market demand driven by our existing major customers, our Directors are of the view that the relatively high turnover growth rates of our Group for FY2015, FY2016 and FP2017 was mainly driven by the strong demand of our Data & Cloud and Memory products from our existing and new customers as we had become the Authorised Distributors of an increasing number of sizeable brand name Upstream Manufacturers such as Supplier E and Supplier H, in FY2015 and FY2016 respectively. As some of our suppliers are global leading brand name Upstream Manufacturers in the electronic component market, we were able to rapidly expand our sales network through marketing their quality products to the downstream markets where we are specialized at and familiar with and, therefore, derived higher turnover growth on a year to year basis.

Our Directors are of the view that the significant growth in our revenue was mainly the results of capturing the surge in demand in the electronic component market, especially of digital storage products, in the PRC in recent years, driven by the boost of IoT, consumer electronics markets and cloud technology. According to the Frost & Sullivan Report, breakdown by the types of electronic components distributed, Data & Cloud components and memory components had noticeable growth rate in the past five years, which were the results of the growing application of cloud service and increasing sales of mobile electronic devices as well as multimedia devices, such as smart phones and set-top boxes. In view of our Directors, the demand for our electronic products is substantially driven by the demand from the end users of our customers' products. It is essential to electronic components distributors like our Group, to be able to accurately analyze and identify the market demands and adapt their product mix in a timely manner. For instance, our Group was engaged as an Authorised Distributor of Supplier E in FY2015 in view of our experience in marketing Data & Cloud products for a number of years with our other brand name Upstream Manufacturers. Through our continuous marketing efforts, we were able to match the supply of quality Data & Cloud products of Supplier E and Customer D's strong demand in their production of products with application in data centers, where a collaborative relationship between them was developed, resulting a relative higher growth in our sales in Data & Cloud products in FY2015. Despite the fact that our Group had strategically reduce our sales to AVTE, from which we had only charged a relative low profit margin despite being our major customer of digital storage products in FY2014 and FY2015, as set out in the Master Agreement during the respective years, please refer to "Business – AVTE" of this Prospectus. The portion of our revenue derived from the sales of Data & Cloud and Memory products increased from approximately 30.4% and 47.8% in FY2014 to approximately 42.8% and 48.2% in FY2015.

For FY2014, FY2015, FY2016, the portion of our revenue derived from our General Components dropped from approximately 21.8% to 9.0% and 7.1% respectively. Such declining trend during FY2014, FY2015 and FY2016 was mainly attributable to the fact that our senior management had strategically reduced the sales of some items of our General Components, including some main chip products which were mainly applied to the production and assembling of a series of multimedia devices, such as DVD player and standard definition set-top box. With an expectation of these products becoming legacy products in the electronic components market, our management had allocated more resources and manpower towards the sales of our digital storage products to tackle the growing demand in the TMT market. Along with the continuous growth of the mobile and multimedia device market, our sales of Memory products become the major revenue driver of our Group, accounting for approximately 60.4% of our overall revenue. Such growth had outweighed the growth in sales of our Data & Cloud and General Components products, which accounted for approximately 32.5% and 7.1% of our overall revenue in FY2016, respectively.

For FP2016 and FP2017, the growth in sales of our Memory products remained strong with the portion of our overall revenue derived from which grew from approximately 57.9% to 67.7% for the respective periods. The surge in demand for our Memory products from our customers was mainly benefited from: (i) the popularity of the products we sourced from Supplier H and (ii) the continuous growth in sales of our Memory products from our suppliers. Such strong growth in sales of our memory had significantly outweighed the sales of our Data and Cloud and General Components products. Suppliers H had been a leading Upstream Manufacturer of memory Products in the PRC mainly focused on the computer market with very limited access to the smart TV and set-top box markets. In FY2016, in view of our Group's experience and resources in the set-top box and smart TV markets as compared to their other authorised distributors, Supplier H engaged our Group as their Authorised Distributor to enter into and develop these particular applications in the PRC downstream markets. Having successfully leveraged on the quality products sourced from Supplier H and the growth in demand of smart TV and set-top box markets, our Group had reached a significantly higher revenue growth in our Memory products segment in FY2016 and has become the largest distributors of Supplier H in smart TV and set-top box markets in the PRC for FY2016 and FP2017. As a result of the aforementioned increase in sales of inductor and capacitors components and main chips components for the uses of the assembling of smart TV and set-top box, the portion of our overall revenue derived from General Component products increased from approximately 7.3% to 11.7% for FP2016 and FP2017. Along with the slow down in sales of our Data & Cloud products as a result of the aforementioned change in customer's preference to purchase separate Data & Cloud components with relative low selling price but higher profitability, the portion of our overall revenue derived from our Data & Cloud products dropped significantly from approximately 34.8% to 20.6% for FP2016 and FP2017.

Revenue by nature of our customers

The following table sets forth a breakdown of our Group's revenue by nature of our customers and products application during the Track Record Period:

	FY2014		FY2015		FY2016		FP2016		FP2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (*unaudited*)	*%*	*HK$'000*	*%*
Downstream Manufacturers										
Multimedia devices	325,424	41.7	410,430	36.6	634,495	37.3	399,181	35.6	1,063,744	53.9
Data centres	92,567	11.9	307,446	27.4	431,334	25.3	301,610	26.9	323,744	16.4
Mobile devices	58,822	7.5	134,287	12.0	323,903	19.0	190,216	17.0	369,513	18.7
Subtotal	476,813	61.1	852,163	76.0	1,389,732	81.6	891,007	79.5	1,757,001	89.0
Other distributors										
Multimedia devices	158,480	20.3	94,798	8.5	118,926	7.0	96,409	8.6	78,158	4.0
Data centres	144,844	18.6	173,133	15.4	122,407	7.2	88,434	7.9	83,524	4.2
Mobile devices	250	0.0	1,112	0.1	71,257	4.2	45,080	4.0	55,542	2.8
Subtotal	303,574	38.9	269,043	24.0	312,590	18.4	229,923	20.5	217,224	11.0
Total Revenue	780,387	100	1,121,206	100	1,702,322	100	1,120,930	100	1,974,225	100

During the Track Record Period, a majority of our revenue was derived from the sales to our customers who are Downstream Manufacturers, with the rest of revenue derived from our customers who are other distributors. For detailed explanations of the nature of our customers, please refer to sections headed "Business – Downstream Manufacturers" and "Business – Other distributors" of this Prospectus. For details of the background and scale of operations of our major customers, please refer to section headed "Business – Major customers". For FY2014, FY2015, FY2016, FP2016 and FP2017, our sales to Downstream Manufacturers accounted for approximately HKD476.8 million, HKD852.2 million, HKD1,389.7 million, HKD891.0 million and HKD1,757.0 million, representing approximately 61.1%, 76.0%, 81.6%, 79.5% and 89.0% of our overall revenue, respectively. For the corresponding years and periods, our sales to other distributors accounted for approximately HKD303.6 million, HKD269.0 million, HKD312.6 million, HKD229.9 million and HKD217.2 million, representing approximately 38.9%, 24.0%, 18.4%, 20.5% and 11.0% of our overall revenue, respectively. The increase in our sales to Downstream Manufacturers and the drop in sales to other distributors for FY2014 to FY2015 were mainly attributable to: (i) the fact that our senior management strategically reduced sales to AVTE, an other distributor from which we had only charged a relative low profit margin despite being our major customer of digital storage products in FY2014 and FY2015; and (ii) the aforementioned significant increase in demand for our digital storage products from Downstream Manufacturers. For FY2016, FP2016 and FP2017 along with the fact that (i) we did not have any sales to AVTE as well as (ii) the aforementioned continuous growth in our sales of digital storage products, especially for our Memory products, to Downstream Manufacturers, the growth in our sales to Downstream Manufacturers had significantly outweighed our sales to other distributors. As for the application of the products we sold to our Group's Downstream Manufacturers, there was a concentration in sales to Downstream Manufacturers for multimedia devices in FY2014. There was an increased focus on sales to Downstream Manufacturers for data centers and mobile devices in FY2015 and FY2016. However, as we became the Authorised Distributor of Supplier H who were attracted by our distribution network of multimedia devices, our sales to Downstream Manufacturers for multimedia devices grew rapidly in FY2016 and FP2017.

Considering the stable financial position and high demand of recurring purchase orders, it is our management strategy to focus on developing sizable customers, especially Downstream Manufacturers with listing status. Also, as the scale of operation of our Group increases, we are also more attractive to these sizable customers. During the Track Record Period, there is an increasing trend of our sales to Downstream Manufacturers who are listed companies, which accounted for approximately HK$270.6 million, HK$573.9 million and HK$1,007.8 million, and HK$1,200.4 million for the FY2014, FY2015, FY2016, and FP2017, representing approximately 56.8%, 67.3%, 72.5% and 68.3% of our revenue derived from Downstream Manufacturers for the respective periods. For FP2017, the portion of our revenue derived from Downstream Manufacturers with listing status dropped slightly as we commenced sales to two sizable Downstream Manufacturers, Customer K and Customer L, without listing status in view of their sizable purchase orders in FP2017.

Revenue by credit terms

The following table sets forth a breakdown of our Group's revenue by sales with and without credit terms during the Track Record Period:

	FY2014		FY2015		FY2016		FP2016		FP2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Sales with credit term	591,806	75.8	1,038,938	92.7	1,378,438	81.0	903,148	80.6	1,793,147	90.8
Sales without credit term	188,581	24.2	82,268	7.3	323,884	19.0	217,782	19.4	181,078	9.2
Total revenue	780,387	100	1,121,206	100	1,702,322	100	1,120,930	100	1,974,225	100

Except for new customers (save for customers of larger scale and/or with listing status) where payment in advance is normally required, the credit terms given to customers vary from one day to 120 days after the issue of our monthly statement depending on (i) the duration of business relationship; (ii) the stability of the customers' businesses; (iii) transaction volume with our Group and the corresponding profit margin; and (iv) the eligibility of the customers in obtaining credit coverage insurance. For details, please refer to the section headed "Business – Customer – Sales Terms" of this Prospectus.

For FY2014, FY2015, FY2016, FP2016 and FP2017, our sales to customers with credit terms accounted for approximately HKD591.8 million, HKD1,038.9 million, HKD1,378.4 million, HKD903.1 million and HKD1,793.1 million, accounting for approximately 75.8%, 92.7%, 81.0%, 80.6% and 90.8% of our overall revenue during the respective years/periods. New customers (except those with listing status and those who are sizable companies) and customers with relatively higher credit risk in view of their scale, financial and payment history are less likely granted with credit terms according to our internal assessment and are requested to make payment in advance, which might affect our selling price and profit margin. For FY2014, FY2015, FY2016, FP2016 and FP2017, our sales to customer without credit terms accounted for approximately HKD188.6 million, HKD82.3 million, HKD323.9 million, HKD217.8 million and HKD181.1 million, accounting for approximately 24.2%, 7.3%, 19.0%, 19.4% and

9.2% of our overall revenue during the respective years. Typically, our sales to customers without credit terms had incurred a relatively lower profit margin. Our Group intended to retain more credible and sizable customers and derived higher margin from our sales, resulting in the drop in our sales to customers without credit terms in FY2015. Since we became the Authorised Distributor of Supplier H in FY2016, we have expanded our sales network of memory products supplied from whom to a number of new customers who were granted with no credit terms, resulting in the growth in our sales to customer without credit terms in FY2016. For FP2017, while our Group had continue to retain creditable and sizable customers mainly being Downstream Manufacturers, our sales to customer without credit terms decreased slightly.

Revenue by geographic locations

The following table sets forth a breakdown of our Group's revenue by geographic locations of our customers during the Track Record Period:

	FY2014		FY2015		FY2016		FP2016		FP2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (*unaudited*)	*%*	*HK$'000*	*%*
Hong Kong	283,156	36.3	261,709	23.3	369,985	21.7	243,020	21.7	269,204	13.6
The PRC	446,962	57.3	811,511	72.4	1,297,625	76.2	856,107	76.4	1,682,431	85.2
Others[(1)]	50,269	6.4	47,986	4.3	34,712	2.1	21,803	1.9	22,590	1.2
Total revenue	780,387	100	1,121,206	100	1,702,322	100	1,120,930	100	1,974,225	100

Note:

(1) others include Taiwan, Singapore, Hungary, South Korea, Samoa, the US, etc.

During the Track Record Period, our Group increasingly allocated more resources and manpower towards our sales to customers based in the PRC, one of the largest electronic component product manufacturing and consumption countries, and derived a signification portion of our overall revenue from our sales to the PRC. Despite the competitions in the PRC and Hong Kong market being quite fierce, according to the Frost & Sullivan Report, there are several key successful factors that greatly enhance a market player's competitiveness, including (i) having a qualified, competitive supplier with a large product portfolio, to meet the shifting market demand resulting in the distributors becoming more competitive when faced with risks brought by market changes; (ii) having sufficient demand in the downstream market and stable customer relationship especially with large manufacturers who can constantly place orders of large volume to suitable distributors; (iii) being forward-looking in this fast changing market to cater for the latest market demand and seize the latest opportunities of growth when faced with rapid market changes. In light of the notable growth in the sales value of electronic components in the PRC in recent years, companies like our Group who possess these competitive advantages as explained under section headed "Business – Competitive Strengths" of this prospectus, normally could grow faster than industry average when competition eliminates underperformed distributors. As a result, our sales to customers based in the PRC was approximately HKD447.0 million, HKD811.5 million, HKD1,297.6 million, HKD856.1 million and HKD1,682.4 million for FY2014, FY2015, FY2016, FP2016 and FP2017, which accounted for approximately 57.3%, 72.4%, 76.2%, 76.4% and 85.2% of our overall revenue, respectively.

While our sales to Hong Kong customers mainly followed the trend of the PRC market during the Track Record Period, our sales to Hong Kong dropped from approximately HKD283.2 million in FY2014 to approximately HKD261.7 million in FY2015. Such drop was mainly attributable to our management's decision to reduce our sales to AVTE from which we had only charged a relative low profit margin despite being our major customer of digital storage products in FY2014 and FY2015, as set out in the Master Agreement during the respective years, please refer to "Business – AVTE" of this Prospectus. Our sales to AVTE had decreased by approximately HKD50.9 million from approximately HKD98.8 million in FY2014 to approximately HKD47.9 million in FY2015. Despite not having any sales to AVTE from 30 June 2015 onwards, our sales to Hong Kong customers had recorded an increasing trend in our revenue which accounted for approximately HKD261.7 million, HKD370.0 million, HKD243.0 million and HKD 269.2 million for FY2015, FY2016, FP2016 and FP2017, respectively. As our senior management has strategically allocated more resources and manpower towards our sales to customers based in the PRC and Hong Kong, we had recorded a slow-down in our sales to other regions during the Track Record Period.

FY2015 compared to FY2014

In FY2014 and FY2015, our overall revenue increased from approximately HKD780.4 million to HKD1,121.2 million. The increase in our revenue by approximately 43.7% during FY2015 was mainly attributable to the increasing market demand of our digital storage products by HKD410.9 million which was triggered by: (i) our strategic allocation of resources and manpower to source and supply digital storage products through becoming Authorised Distributors of brand name Upstream Manufacturers, including Supplier E, in FY2015; and (ii) the increasing demand from our major customers, such as, Customer D and Customer F, mainly being Downstream Manufacturers, in view of the growing application of cloud service and increasing sales of mobile electronic devices and multimedia devices along with the emerging of IoT. The overall revenue of our Group was partially offset by (i) the significant drop in sales of our digital storage products to AVTE by HKD50.9 million; and, (ii) the drop in our sales of General Components by approximately HKD70.1 million, which was mainly attributable to our strategic allocation of more resources and manpower towards the sales of our digital storage products by reducing the sales of General Components.

FY2016 compared to FY2015

For FY2015 and FY2016, our overall revenue increased from approximately HKD1,121.2 million to HKD1,702.3 million. The increase in our revenue by approximately 51.8% during FY2016 was mainly attributable to (i) the continuous growth in demand of our digital storage products by HKD560.3 million; (ii) the fact that we had further expanded the portfolio of our digital storage products through becoming Authorised Distributors of brand name Upstream Manufacturers, such as Supplier H, in FY2016; and (iii) the increasing demand from our major customers, Customer D, Customer F, Customer G and Customer H mainly being listed Downstream Manufacturers, in view of the aforementioned growth in consumer electronics market. Our sales of General Components also increased from HKD100.4 million to HKD121.2 million for FY2015 and FY2016 mainly driven by the growth in our sales of switch and power management IC components which were mainly applicable to mobile devices.

FP2017 compared to FP2016

For FP2016 and FP2017, our overall revenue increased from approximately HKD1,120.9 million to HKD1,974.2 million. The increase in our revenue by approximately 76.1% was driven by the growth in sales of all three major types of our products. The revenue derived from our memory products surged by approximately 106.2% for the respective periods, which was mainly attributable to (i) the surge in demand from our new and existing customers such as, Customer J, Customer K and Customer D who were attracted to the memory products we sourced from Supplier H and (ii) the continuous growth in demand from our existing major customers such as Customer G and Customer B for our memory products sourced from other brand name suppliers. Our sales of General Components also increased by approximately 179.2% for FP2017, which was mainly driven by the growth in sales of inductor and capacitor components and main chips for the uses of the assembling of smart TV and set-top box. Our revenue derived from sales of our Data & Cloud products remained stable and increased slightly in FP2017, which was mainly attributable to the aforementioned change in customer's preference from procuring integrated data server/storage system to the separate Data & Cloud components from us and a significant growth in sales of NIC cards that control and channel data.

Cost of Sales

	FY2014	**FY2015**	**FY2016**	**FP2016**	**FP2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Cost of inventory	742,151	1,063,723	1,605,259	1,062,831	1,875,168
Freight cost	2,308	3,765	2,771	1,938	1,834
	744,459	1,067,488	1,608,030	1,064,769	1,877,002

Our cost of sales were approximately HKD744.5 million, HKD1,067.5 million, HKD1,608.0 million, HKD1,064.8 million and HKD1,877.0 million for FY2014, FY2015, FY2016, FP2016 and FP2017, respectively which mainly represented the cost of inventories sourced from our suppliers and freight cost, the amount of which were largely depending on the volume of the mix of products and mix of products we sold during the respective years. The fluctuation of our cost during the Track Record Period was also attributable to a series of market conditions changes including the technology advancement of electronic components and electronic products, inflation of manufacturing costs of our suppliers.

During the Track Record Period, the overall increase in our cost of inventories for FY2014, FY2015, FY2016 and FP2017 was in line with the significant growth in our overall revenue.

Gross Profit and Gross Profit Margin

Gross profit represents the excess of revenue over cost of sales. The following table sets forth a breakdown of our Group's gross profit and gross profit margin from our types of products by application during the Track Record Period:

	FY2014		FY2015		FY2016		FP2016		FP2017	
	HK$'000	*Margin %*	*HK$'000*	*Margin %*	*HK$'000*	*Margin %*	*HK$'000 (unaudited)*	*Margin %*	*HK$'000*	*Margin %*
Memory										
– Multimedia devices	10,530	3.0	18,849	4.4	37,872	5.6	20,256	4.5	39,802	4.2
– Mobile devices	582	2.9	2,977	2.6	16,636	4.7	7,789	3.9	14,781	3.8
Subtotal	11,112	3.0	21,826	4.0	54,508	5.3	28,045	4.3	54,583	4.1
Data & Cloud										
– Data centers	8,820	3.7	25,051	5.2	30,514	5.5	21,744	5.6	27,579	6.8
Subtotal	8,820	3.7	25,051	5.2	30,514	5.5	21,744	5.6	27,579	6.8
General Components										
– Multimedia devices	9,538	7.3	2,632	3.3	3,150	4.0	1,245	2.6	10,529	5.3
– Data centers	–	–	14	7.6	1	8.9	–	–	–	–
– Mobile devices	6,458	16.6	4,195	19.7	6,119	14.3	5,127	15.0	4,532	14.3
Subtotal	15,996	9.4	6,841	6.8	9,270	7.7	6,372	7.8	15,061	6.6
Total Gross Profit	35,928	4.6	53,718	4.8	94,292	5.5	56,161	5.0	97,223	4.9

The following table sets forth a breakdown of our Group's gross profit and gross profit margin by nature of customers during the Track Record Period.

	FY2014		FY2015		FY2016		FP2016		FP2017	
	HK$'000	*Margin %*	*HK$'000*	*Margin %*	*HK$'000*	*Margin %*	*HK$'000* *(unaudited)*	*Margin %*	*HK$'000*	*Margin %*
Downstream Manufacturers										
Multimedia devices	15,643	4.8	18,876	4.6	35,876	5.7	18,960	4.7	47,040	4.4
Data Centers	4,847	5.2	17,715	5.8	22,379	5.2	16,107	5.3	22,052	6.8
Mobile devices	7,007	11.9	7,091	5.3	20,037	6.2	11,550	6.1	16,975	4.6
Subtotal	27,497	5.8	43,682	5.1	78,292	5.6	46,617	5.2	86,067	4.9
Other distributors										
Multimedia devices	4,425	2.8	2,605	2.7	5,146	4.3	2,541	2.6	3,291	4.2
Data Centers	3,973	2.7	7,350	4.2	8,136	6.6	5,637	6.4	5,527	6.6
Mobile devices	33	13.2	81	7.3	2,718	3.8	1,366	3.0	2,338	4.2
Subtotal	8,431	2.8	10,036	3.7	16,000	5.1	9,544	4.2	11,156	5.1
Total Gross profit	35,928	4.6	53,718	4.8	94,292	5.5	56,161	5.0	97,223	4.9

The following table sets forth a breakdown of our Group's gross profit and gross profit margin for our sales with and without credit terms during the Track Record Period.

	FY2014		FY2015		FY2016		FP2016		FP2017	
	HK$'000	*Margin %*	*HK$'000*	*Margin %*	*HK$'000*	*Margin %*	*HK$'000* *(unaudited)*	*Margin %*	*HK$'000*	*Margin %*
Sales with credit term	31,263	5.3	50,996	4.9	80,514	5.8	47,571	5.3	87,231	4.9
Sales without credit term	4,665	2.5	2,722	3.3	13,778	4.3	8,590	3.9	9,992	5.5
Total Gross Profit	35,928	4.6	53,718	4.8	94,292	5.5	56,161	5.0	97,223	4.9

During the Track Record Period, our gross profit margin was subject to the proportion of revenue derived from our three major categories of products applied to different application. The overall gross profit of our Group was approximately HKD35.9 million, HKD53.7 million, HKD94.3 million, HKD56.2 million and HKD97.2 million for FY2014, FY2015, FY2016, FP2016 and FP2017, representing gross profit margin of approximately 4.6%, 4.8%, 5.5%, 5.0% and 4.9% during the Track Record Period, respectively. The overall increasing trend in our gross profit during the Track Record Period was generally in line with the upward trend of our overall revenue and the fluctuation in our gross profit margin mainly driven by the demand of our products from our major customers. Detail analysis of our gross profit margin during the Trade Record Period are explained as follows:

Analysis of our gross profit margin

Thin Profit Margin for Electronic Components Distributors

We adopt a cost-plus pricing model. For our consideration of the appropriate mark-up, please refer to the section headed "Business — Pricing policy" in this prospectus.

According to the Frost & Sullivan Report, the current Chinese electronic components market comprises of large international distributors and a large number of domestic enterprises. To survive and achieve growth in this fierce competition, many distributors adopt a low profit margin strategy to win customers. Moreover, as the competition among Downstream Manufacturers is also escalating, sales prices of end products have been decreasing, which in turn leaves thinner margin for electronic components distributors.

During the Track Record Period, our gross profit margin was the result of the proportion of revenue derived from our three major types of products by different applications. In constituting the mix of our product portfolios sold during the Track Record Period, our Group carefully assessed the demand from our customers in the market while leveraging the expertise of our senior management towards the market trend of electronic components. For FY2014, FY2015, FY2016, FP2016 and FP2017, our gross profit amounted to HKD35.9 million, HKD53.7 million, HKD94.3 million, HKD56.2 million and HKD97.2 million, accounting for gross profit margins of approximately 4.6%, 4.8%, 5.5%, 5.0% and 4.9% of our overall revenue for the respective years.

For FY2014, FY2015, FY2016, FP2016 and FP2017, our overall gross profit margin derived from our General Components was approximately 9.4%, 6.8%, 7.7%, 7.8% and 6.6% with the gross profit derived from which accounted for approximately 44.5%, 12.7%, 9.8%, 11.3% and 15.5% of our overall gross profit. In general, our General Components mainly consisted of main chip and other general components applied to multimedia devices and mobile devices, which required relatively more engineering support in view of the complexity, thus, allowing us to charge a higher gross profit margin of over 6% during the Track Record Period. Despite a relatively higher margin derived from General Components in FY2014, our management expected that some items of the then mix of our General Components, which was mainly applied to multimedia devices, such as DVD and standard definition set-top box, etc, were becoming legacy products in the electronics components market. Meanwhile, given that the maturity of technology, a type of surveillance product, which was highly cost-effective and easy to mass produce, was launched by electronic component manufacturer in the market in 2015, leading to a significant drop in market price to the surveillance products of our General Components we sourced from our suppliers. As such, for FY2014 and FY2015, our profit margin derived from our General Components dropped mainly due to the drop of gross profit margin of our General Components products applied to multimedia devices which had decreased from approximately 7.3% to 3.3% for the respective years. The increase in our gross profit margin derived from sales of General Components for FY2015 and FY2016 was mainly attributable to the increase in the sales of switch and power management IC applied for mobile devices.

For FY2014, FY2015, FY2016, our management had strategically reduced the sales of General Components in order to allocate more resources and manpower towards the sales of our digital storage products. As a result, for FY2014, FY2015, FY2016, while there was a decreasing portion of gross profit derived from our General Components products, the portion of gross profit derived from our digital storage products, comprising both our Data & Cloud and Memory products, increased significantly from approximately 55.5% to 87.3% and further to 90.2% of the overall gross profit of our Group for the respective years and period. For FP2016 and FP2017, as a result of the aforementioned increase in sales of inductor and capacitors components and main chips components for the uses of the assembling of smart TV and set-top box, the portion of gross profit derived from our General Components products increased from approximately 11.3% to 15.5%, where the gross profit margins derived from the sales of which decreased from approximately 7.8% to 6.6%, accordingly. For FY2014, FY2015, FY2016, FP2016 and FP2017, our overall gross profit margin derived from our Data & Cloud products was approximately 3.7%, 5.2%, 5.5%, 5.6% and 6.8% while our overall gross profit margin derived from our Memory products was approximately 3.0%, 4.0%, 5.3%, 4.3% and 4.1%. The increasing trend in gross profit margin for digital storage products from FY2014 to FY2016 was driven by: (i) the growth in demand of our products, benefiting from the growing applications of cloud service and increasing sales of mobile electronic devices and multimedia devices along with the emerging of IoT; (ii) the improvement in our gross profit margin as we gradually reduced and eventually did not have sales to AVTE after 30 June, 2015. Prior to that, we only charged a low profit margin to AVTE as set out in the Master Agreement during the respective years. For details, please refer to " Business – AVTE" of this Prospectus. Our Directors are of the view that the drop in our gross profit margin derived from sales of our memory products for FP2017 was mainly attributable to the fact that shortage in the market supply of Memory products for the prior years was considered to be more stabilized in FP2017 and our Group intended to broaden our customer base by boosting the sales of our Memory products, where a relatively low gross profit margin at approximately 4.1% in average was charged for respective period as compared to our other types of products. On the other hand, the gross profit margin derived from sales of Data & Cloud products increase as a result of the change in customers' preference to order separate Date & Cloud electronic components, where higher gross profit margin were derived as compared to the sales of integrated data server/storage systems.

Considering the requirements of payment for our customer to payment in advance where our Group does not need to bear the underlying credit risk, the gross profit margin derived from which tended to be lower. For the FY2014, FY2015, FY2016, FP2016 and FP2017, our gross profit derived from our sales to customers with credit terms accounted for approximately HKD31.3 million, HKD51.0 million, HKD80.5 million, HKD47.6 million and HKD87.2 million, representing gross profit margin of approximately 5.3%, 4.9%, 5.8%, 5.3% and 4.9% during the respective years. For the same years and period, our gross profit derived from our sales to customers without credit terms accounted for approximately HKD4.7 million, HKD2.7 million, HKD13.8 million, HKD8.6 million and HKD10.0 million, representing gross profit margin of approximately 2.5%, 3.3%, 4.3%, 3.9% and 5.5% during the respective years and period. For FP2017, the drop in gross profit margin derived from our sales to customers with credit terms was attributable to the increase in sales of our memory products at relatively lower gross profit margin, the increase in gross profit margin derived from our sales to customers without credit term was mainly attributable to the increase in the sales of our General Components products with relatively higher gross profit margin.

On the other hand, our sales to Downstream Manufacturers typically require more of technical supports from our Group; thus, allowing us to charge a higher gross profit margin of over 5% during the Track Record Period. For the FY2014, FY2015, FY2016, FP2016 and FP2017, our gross profit derived from our sales to Downstream Manufacturers accounted for approximately HKD27.5 million, HKD43.7 million, HKD78.3 million, HKD46.6 million and HKD86.1 million, representing gross profit margin of approximately 5.8%, 5.1%, 5.6%, 5.2% and 4.9% during the respective years and period. For the same years and period, our gross profit derived from our sales to other distributors accounted for approximately HKD8.4 million, HKD10.0 million, HKD16.0 million, HKD9.5 million and HKD11.2 million, representing gross profit margin of approximately 2.8%, 3.7%, 5.1%, 4.2% and 5.1% during the respective years and period. The improvement in our gross profit margin derived from these other distributors was attributable to the increase in our sales to Customer C, being an electronic components distributor who also required our technical supports for its customers, allowing us to charge a higher gross profit margin.

FY2015 compared to FY2014

For FY2014 and FY2015, our overall gross profit increased from approximately HKD35.9 million to HKD53.7 million. Such increase was mainly attributable to strategical allocation of our manpower and resources, where our Group significantly increase the sale of digital storage and was able to derive an improvement in gross profit from our digital storage products during the year as a result of our aforementioned strategy to tackle the growth triggered by the emerging of IoT and cloud technology. The effects of which had outweighed the impacts to our gross profit as the results of: (i) our reduction in sales to AVTE and (ii) our reduction of sales of some General Components which were becoming legacy products.

FY2016 compared to FY2015

For FY2015 and FY2016, our overall gross profit increased from approximately HKD53.7 million to HKD94.3 million. The increase in our gross profit was mainly attributable to the growth in our overall revenue and improved gross profit margin. Such increase was mainly attributable to (ii) the continuous growth in our sales of digital storage products and was able to continuously improve our gross profit margin from which as the growth in market demand remained strong; and , (ii) the improvement in the sales of our General Components as we had increase sales of other more advanced items, including switch connector and power management IC components which were mainly applicable to the production and assembling of mobile devices despite we did not having any sales to AVTE in FY 2016.

FP2017 compared to FP2016

For FP2016 and FP2017, our overall gross profit increased from approximately HKD56.2 million to HKD97.2 million. The increase in our gross profit was mainly attributable to the growth in our overall revenue despite the drop in our gross profit margin. Such increase was mainly attributable to (i) the continuous growth in the sales of our Memory products which enabled us to continuously improve our gross profit as the growth in market demand remained strong; (ii) the aforementioned change in customer's preference in purchasing the generally more profitable separate storage and IC components rather than the generally less profitable entire data centre systems; and (iii) the growth in sales of some items under our General Components which were sold at higher volume despite lower profit margin, including inductor and capacitor components and main chips which are used for the assembling of smart TV and set-top box.

Other income

Our other income mainly consists of bank interest income, rental income, gain on disposal of property, plant and equipment and sundry income. For FY2014, FY2015, FY2016 and FP2017, we had other income of approximately HKD1.6 million, HKD1.5 million, HKD2.5 million and HKD1.9 million, respectively. Our other income remained immaterial to our Group during the Track Record Period.

Increase in fair value of investment property

The increase in fair value of our investment property represented the appreciation in the value of our investment property as detailed under section headed "Business – Real Property" in this prospectus. For FY2014, FY2015, FY2016 and FP2017, we had increase in fair value of investment property in aggregate of approximately HKD1.4 million, HKD2.3 million, HKD0.3 million and HKD2.0 million, respectively. The increase in fair value of our investment property remained immaterial to our Group during the Track Record Period.

Distribution and selling expenses

	FY2014	**FY2015**	**FY2016**	**FP2016**	**FP2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Salaries and commission	3,663	3,200	6,396	3,631	5,331
Transportation and freight charges	633	571	1,167	742	823
Declaration and samples	80	138	277	119	125
	4,376	3,909	7,840	4,492	6,279

The selling and distribution costs mainly include salaries and commission expense, transportation freight charges and declaration and sample expense. For FY2014, FY2015, FY2016, FP2016 and FP2017, our selling and distribution costs, which amounted to approximately HKD4.4 million, HKD3.9 million, HKD7.8 million, HKD4.5 million and HKD6.3 million respectively, remained immaterial to our Group during the Track Record Period.

Administrative expenses

Our administrative expenses primarily consist of listing expenses, salaries and benefits (including directors emoluments), insurance, operating lease and other premise fee, exchange loss, bank charges and depreciation expenses. The following table sets out the breakdown of our administrative expenses by nature during the Track Record Period:

	FY2014	**FY2015**	**FY2016**	**FP2016**	**FP2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Salaries and benefits (including Directors emoluments)	8,590	10,061	13,590	7,864	11,252
Insurance	1,029	2,554	4,708	3,265	6,209
Travelling and entertainment	1,679	1,616	2,854	2,030	2,662
Bank charges	878	1,063	2,341	1,710	2,871
Impairment of trade receivables	–	2,119	–	–	–
Operating lease and other premise expenses	1,505	1,600	2,168	1,619	1,624
Depreciation	186	152	1,340	771	1,804
Exchange differences	233	356	1,293	498	(1,157)
Office supplies and expenses	556	537	687	470	622
Legal and professional fee	350	292	598	419	495
Motor vehicle expenses	229	229	102	91	228
Listing expenses	3,164	1,000	115	–	12,248
Others	727	997	1,443	1,294	5,041
	19,126	22,576	31,239	20,031	43,899

For FY2014, FY2015, FY2016, FP2016 and FP2017, our administrative expenses were approximately HKD19.1 million, HKD22.6 million, HKD31.2 million, HKD20.0 million and HKD43.9 million, respectively. Our general and administrative expenses increased slightly by approximately HKD3.5 million for FY2014 and FY2015 mainly as a result of the net effect of: (i) the increase in our salaries and benefits and insurance expenses in aggregate by approximately HKD3.0 million as a result of the growth in our sales despite relatively less technical supports were required for the sales of our digital storage products as compared to the sales of General Components products; (ii) the decrease in listing expenses recognised during the year by approximately HKD2.2 million, as the recognition of which, in general, was subject to the stages of Listing application process; and, (iii) the recognition of impairment of trade receivables of HKD2.1 million, which represented the impairment of trade receivables from a customer, which had entered into a winding up process. For details, please refer to section headed "Financial Information – Trade receivables" of this prospectus.

Our administrative expenses increased significantly by approximately HKD8.7 million for FY2015 and FY2016 mainly as a result of the net effect of: (i) the increase in our salaries, benefits and insurance in aggregate by approximately HKD5.7 million as we had expanded our operation in response to the significant growth of our business, (ii) the increase in our bank charges by HKD1.3 million as we incurred more bank borrowings, as detailed under the section headed "Financial Information – Bank borrowings" in this prospectus; (iii) the increase in depreciation, operating lease and other premises expenses in aggregate by approximately HKD1.8 million due mainly to the relocation of our head office in Hong Kong; (iv) the increase in traveling and entertainment expenses of approximately HKD1.2 million and (v) the decrease in listing expenses recognised by approximately HKD0.9 million.

Our administrative expenses increased significantly by approximately HKD23.9 million for FP2017 mainly as a result of (i) the increase in our salaries, benefits and insurance in aggregate by approximately HKD3.4 million as we had expanded our operation in response to the significant growth of our business, (ii) the increase in our bank charges by HKD1.2 million as we incurred more bank borrowings, as detailed under the section headed "Financial Information – Bank borrowings" in this prospectus; (iii) the increase in depreciation, operating lease and other premises expenses in aggregate by approximately HKD1.0 million due mainly to the relocation of our head office in Hong Kong in second half year of FY2016; (iv) the increase in travelling and entertainment expenses of approximately HKD0.6 million; (v) the increase in listing expenses recognised by approximately HKD12.2 million; and, (vi) An increase in other expense by HKD3.7 million, mainly being an increase in promotion expense to market our products.

Finance costs

Our finance costs represented mainly interest expenses on our bank borrowings during the Track Record Period. Such bank borrowings were obtained by our Group for general working capital needs. We had finance costs of approximately HKD1.1 million, HKD1.7 million, HKD4.2 million, HKD2.7 million and HKD7.8 million for FY2014, FY2015, FY2016, FP2016 and FP2017, respectively.

The increasing trend of our finance costs during the Track Record Period was the result of the overall increasing use of factoring loans in response to our increasing sales and inventory level over the Track Record Period. In FY2016 and FY2017, the significant increase in finance cost was driven by the increase in bank instalment loan in order to finance the acquisition of our new properties during second half year of FY2016, for details, please refer to section headed "Financial Information – Bank Borrowings" of this prospectus.

Income Tax Expense

Our Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operated.

Our Company and subsidiaries are incorporated in different jurisdictions, with different taxation requirements illustrated as follows:

Cayman Islands and BVI

Pursuant to the applicable laws, rules and regulations of the Cayman Islands and the BVI, our Group is not subject to any profits tax in the Cayman Islands and the BVI.

Hong Kong

All our Hong Kong subsidiaries were subject to Hong Kong profits tax at 16.5% during the Track Record Period.

The PRC

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, all our PRC subsidiary was subject the tax rate for the PRC subsidiary of the Company of 25% during the Track Record Periods

The effective tax rates of our Group were approximately 20.9%, 16.6%, 16.7%, 16.3% and 21.7% for each of FY2014, FY2015, FY2016, FP2016 and FP2017, respectively. According to the Frost & Sullivan Report, many PRC-based Downstream Manufacturers prefer to conduct transactions in Hong Kong via independent forwarders or agents rather than in the PRC to benefit from lower interest rate. It is also a big advantage for business operators faced with pressure of cash flow with reliance on bank loans. In addition, foreign currency settlement, such as USD, can also be conducted more conveniently with lower bank charges in Hong Kong compared with those in PRC. As illustrated under section headed "Business – Business model" of this prospectus, saved for mainly our technical supports, which are subject to staff costs allocation, our key business processes including suppliers and product portfolio sourcing, promotion and marketing, sales, procurement, inventory and logistics arrangements are handled by the regional subsidiaries at where the sales is conducted as instructed and specified in purchase orders from our customers. In fact, a vast majority of our transactions with our customers, including most of our PRC based customers, are carried out by our Hong Kong subsidiaries, conducted and settled in Hong Kong via independent forwarders or agents. Our Directors are of the view that, as concurred by our Reporting Accountant, even though the majority of our Group's suppliers are based outside Hong Kong, where the relevant sales and purchase orders with our Hong Kong subsidiaries are usually negotiated and concluded in Hong Kong. Further, as substantial part of the works for sales of products are also performed in Hong Kong, such purchases and sales are considered to be effected in Hong Kong and the profits of our Hong Kong subsidiaries are considered derived from Hong Kong and subject to Hong Kong profits tax. During the Track Record Period, almost all the profits of our Group was derived from our Hong Kong subsidiaries with a profit tax rate of 16.5%. Only a relatively small amount of sales with our customers were made through our PRC subsidiary which was subject to a tax rate of 25%. In FY2014, only a minor amount of tax expense was incurred from our PRC subsidiary operation in FY2014. It had no assessable profit in FY2015 and FP2017 due to the decrease in sales in FY2015 and the increase in administrative expense in FP2017 which resulted in allowable tax losses brought forward. The tax losses brought forward exceeded its estimated assessable profit in both FY2016 and FP2016.

As confirmed by our Directors, save for staff costs allocation, there was no intercompany sale and purchase transaction between Hong Kong subsidiaries and PRC subsidiary during the Track Record Period and up to the Latest Practicable Date. Our products will only be delivered within the PRC if the purchase order is made in the PRC and if the purchase order is made in Hong Kong, our products will only be delivered within Hong Kong. Our Directors are of the view that, as concurred by the Reporting Accountant and PRC legal advisor, we are not aware of any non-compliant activities caused by any intra-group transaction between our Hong Kong subsidiaries and PRC subsidiary with the applicable laws, rules and regulations (including the transfer pricing rules and regulations in Hong Kong and the

PRC) by the relevant regulatory authorities. For FY2014, FY2015, FY2016, FP2016 and FP2017, our effective tax rate was higher than our statutory tax rate in Hong Kong was mainly the results of the recognition of listing expenses of approximately HKD3.2 million, HKD1.0 million, HKD0.1 million, nil and HKD12.2 million, which are not tax deductible.

Net profit after tax and net profit margin

Since the commencement of our business, our Group has adopted a low margin high volume business strategy which was proved to be sustainable to maintain our business operation and to capture the market growth from time to time. For distributors like our Group in the electronic components industry, according to the Frost & Sullivan Report, to remain profitable, pursing high volume of sales is a common practice in the industry. Moreover, improving the ability of forecasting the future trend of technology and distributing products that are largely demanded by the market, and developing technological capabilities in order to provide more value-added services, are also approaches for distributors like us to realise more profits. In view of our Directors, our Group maintains a thin profit margin for our electronic components distribution business which was in line with the industry norm. Having been actively sourcing brand name suppliers and broadening our customer base through matching their needs in response market growth throughout the Track Record Period, our Group has demonstrated the ability to continuously boost our sales volume, resulting in an overall growth in amount of our overall net profit.

Our net profit after tax was approximately HKD11.3 million, HKD24.5 million, HKD44.8 million, HKD26.0 million and HKD33.8 million for FY2014, FY2015, FY2016, FP2016 and FP2017, representing a net profit margin of approximately 1.4%, 2.2%, 2.6%, 2.3% and 1.7% respectively. The growth in our net profit for FY2014, FY2015 and FY2016 was mainly attributable to the net effect of: (i) the aforementioned overall growth in our revenue; (ii) the aforementioned overall improvement of gross profit margin; and (iii) the aforementioned overall increase in our administrative expenses, mainly driven by our listing expenses recognised of approximately HKD3.2 million, HKD1.0 million, HKD0.1 million, HKD nil and HKD12.2 million, for FY2014, FY2015, FY2016, FP2016 and FP2017 respectively. Excluding the listing expenses of approximately HKD3.2 million, HKD1.0 million, HKD0.1 million and HKD nil and HKD12.2 million and other income and fair value change in investment properties of HKD3.0 million, HKD3.8 million, HKD2.8 million, HKD2.1 million and HKD3.9 million for FY2014, FY2015, FY2016, FP2016 and FP2017, respectively, our adjusted net profit after tax would have been HKD11.5 million, HKD21.6 million, HKD42.2 million, HKD23.9 million and HKD42.1 million, representing the adjusted net profit margin of approximately 1.5%, 1.9%, 2.5%, 2.1% and 2.1% respectively. The drop in adjusted net profit margin in FP2017 was mainly in line with the aforementioned drop in gross profit margin for FP2017.

LIQUIDITY AND CAPITAL RESOURCES

Our Group had met its liquidity requirements principally through a combination of internal resources and bank borrowings during the Track Record Period. Our Group's primary uses of cash have been, and are expected to continue to be, satisfying its working capital needs.

Our Directors are of the view, and our Sponsor concurs that, our Group will have sufficient working capital for its business operations for at least 12 months from the date of this prospectus under Listing Rule 8.21A.

Cash Flows

The following table presents the selected cash flows data for the period indicated:

	FY2014	FY2015	FY2016	FP2016	FP2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Net cash generated from/(used in) operating activities	32,004	(64,398)	(71,402)	(65,322)	(238,633)
Net cash from/(used in) investing activities	131	(109)	(49,266)	(46,480)	(2,129)
Net cash (used in)/generated from financing activities	(36,112)	63,203	160,293	107,601	249,398
Net increase/(decrease) in cash and cash equivalents	(3,977)	(1,304)	39,625	(4,201)	8,636
Cash and cash equivalents at the beginning of the year	21,550	17,518	16,128	16,128	55,971
Effect of foreign exchange rate changes	(55)	(86)	218	5	(257)
Cash and cash equivalents at the end of the year	17,518	16,128	55,971	11,932	64,350

Net cash generated from and used in operating activities

In FY2014, our Group had net cash generated from operating activities of approximately HKD32.0 million, while our profit before income tax was approximately HKD14.3 million. The difference was mainly attributable to the net effects of: (i) the decrease in inventories of approximately HKD14.1 million, (ii) the decrease in trade receivables of approximately HK$16.6 million, (iii) the decrease in other payables, accruals and deposit received of approximately HKD6.0 million, and (iv) the advance to a director of approximately HKD4.1 million.

In FY2015, our Group had net cash used in operating activities of approximately HKD64.4 million, while our profit before income tax was approximately HKD29.3 million. The difference was mainly attributable to the net effects of: (i) the increase in inventories of approximately HKD14.7 million, (ii) the increase in trade receivables of approximately HKD78.7 million, (iii) decrease in trade payables of approximately HKD11.0 million, (iv) increase in other receivables, deposits and prepayments of approximately HKD5.0 million, (v) the increase in other payables, accruals and deposit received of approximately HKD4.4 million, and (vi) the advance from a director of approximately HKD10.0 million.

In FY2016, our Group had net cash used in operating activities of approximately HKD71.4 million, while our profit before income tax was approximately HKD53.8 million. The difference was mainly attributable to the net effects of: (i) the increase in inventories of approximately HKD55.1 million, (ii) the increase in trade receivables of approximately HKD135.7 million, (iii) increase in other receivable, deposits and prepayments of approximately HKD6.4 million, (iv) the increase in trade payables of approximately HKD101.2 million, (v) the increase in other payables, accruals and deposit received of approximately HKD3.8 million, and (vi) the advance to a director of approximately HKD31.0 million.

In FP2017, our Group had net cash used in operating activities of approximately HKD238.6 million, while our profit before income tax was approximately HKD43.1 million. The difference was mainly attributable to the net effects of: (i) the significant increase in inventories of approximately HKD82.0 million in response to the purchase orders on hand, (ii) the significant increase in trade receivables of approximately HKD224.0 million which was in line with the significant growth in our revenue, (iii) increase in other receivable, deposits and prepayments of approximately HKD82.2 million which are mainly deposits for purchases, (iv) the increase in trade payables of approximately HKD102.4 million, (v) the decrease in other payables, accruals and deposit received of approximately HKD3.6 million, and (vi) the advance from a director of approximately HKD1.3 million.

The significant cash outflow from our operating activities for FY2015, FY2016 and FP2017 was in line with the significant growth in our sales and business operations, which required significant amount of working capital to finance. In view of the potential mismatch of trade receivables turnover days and trade payables turnover days, our Group financed the required working capital with associated cash flow generated from financing activities via the continuous uses of our factoring loans, other bank loans and bank installment loans during the Track Record Period. For details of our liquidity management, please refer to the section headed "Business — Liquidity management Policy" in this prospectus. Our Directors confirmed that we had not experienced any liquidity problem in settling our payables in the normal course of business and repaying our bank borrowings when they fall due during the Track Record Period.

Net cash used in investing activities

In FY2014, our Group had net cash generated from investing activities of approximately HKD0.1 million, which was mainly attributable to the combined effect of: (i) the payments for purchase of property, plant and equipment of approximately HKD29,000, and (ii) the sales proceeds received from the disposal of property, plant and equipment of approximately HKD0.2 million.

In FY2015, our Group had net cash used in investing activities of approximately HKD0.1 million, which was mainly attributable to the payments for purchase of property, plant and equipment of approximately HKD0.1 million.

In FY2016, our Group had net cash used in investing activities of approximately HKD49.3 million, which was mainly attributable to the payments for purchase of property, plant and equipment of approximately HKD49.3 million.

In FP2017, our Group had net cash used in investing activities of approximately HKD2.1 million, which was mainly attributable to the combined effect of: (i) the payments for purchase of property, plant and equipment of approximately HKD0.1 million, and (ii) the increase of pledged fixed deposit of approximately HKD2.0 million.

Net cash generated from and used in financing activities

In FY2014, our Group had net cash used in financing activities of approximately HKD36.1 million, which was mainly attributable to the net effects of: (i) the decrease in our factoring loans of approximately HKD7.9 million, and (ii) the decrease in our other bank borrowings of HKD26.3 million.

In FY2015, our Group had net cash generated from financing activities of approximately HKD63.2 million, which was mainly attributable to the net effects of: (i) the increase in our factoring loans of approximately HKD66.6 million; and (ii) the increase in our other bank borrowings of HKD4.0 million and our dividend paid of approximately HKD5.0 million.

In FY2016, our Group had net cash generated from financing activities of approximately HKD160.3 million, which was mainly attributable to the net effects of: (i) new bank loans raised of approximately HKD20.2 million, (ii) the increase in factoring loans of approximately HKD63.1 million, (iii) the increase in other bank borrowings of HKD63.7 million, and (iv) advance from related parties of approximately HKD19.0 million.

In FP2017, our Group had net cash generated from financing activities of approximately HKD249.4 million, which was mainly attributable to the net effects of: (i) the increase in factoring loans of approximately HKD130.6 million, (ii) the increase in other bank borrowings of HKD122.5 million.

NET CURRENT ASSETS

The following table sets forth the current assets and current liabilities as of the dates indicated:

	As at 31 December			As at 30 September	As at 31 December
	2014	2015	2016	2017	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Current assets					
Inventories	48,745	60,937	116,021	197,712	177,203
Trade receivables	94,040	170,606	306,284	530,319	643,133
Other receivables, deposits and prepayments	8,884	13,924	20,343	102,508	94,846
Bank balances and cash	17,518	16,128	55,971	66,436	66,431
	169,187	261,595	498,619	896,975	981,613
Current liabilities					
Trade payables	69,141	58,110	159,268	261,634	376,833
Other payables, accruals and deposit received	5,371	9,756	13,556	9,971	10,643
Amount due to a director	5,751	15,787	2,801	4,055	8,247
Amount due to a related party	–	–	4,929	1,560	1,560
Bank borrowings, secured	47,088	116,970	262,434	520,277	479,486
Tax payable	980	3,322	4,565	12,655	9,364
	128,331	203,945	447,553	810,152	886,133
Net current assets	40,856	57,650	51,066	86,823	95,480

As at 31 December 2014, 2015, 2016, 30 September 2017 and 31 December 2017, we had net current assets of approximately HKD40.9 million, HKD57.7 million, HKD51.1 million, HKD86.8 million and HKD95.5 million, respectively.

Our net current assets increased by approximately 41.1% from approximately HKD40.9 million as at 31 December 2014 to approximately HKD57.7 million as at 31 December 2015, mainly due to the net effect of (i) our net profit in FY2015 of approximately HKD24.5 million, (ii) the increase in fair value of investment property by approximately HKD2.3 million, and (iii) the declaration of dividend of approximately HKD5.0 million.

Our net current assets decreased by approximately 11.4% from approximately HKD57.7 million as at 31 December 2015 to approximately HKD51.1 million as at 31 December 2016, mainly due to the net effect of (i) our net profit in FY2016 of approximately HKD44.8 million, and (ii) the increase in our property, plant and equipment by approximately HKD52.0 million.

Our net current assets increased by approximately 70.0% from approximately HKD51.1 million as at 31 December 2016 to approximately HKD86.8 million as at 30 September 2017, mainly due to the net effect of our net profit in FP2017 of approximately HKD33.8 million.

Our net current assets increased by approximately 10.0% from approximately HKD86.8 million as at 30 September 2017 to approximately HKD95.5 million as at 31 December 2017, mainly due to the effect of our net profits for the three months ended 31 December 2017. The material fluctuation to our financial position subsequent to Track Record Period was mainly attributable to the continuous growth in purchase orders placed by our customers, leading to the increase in the level of trade receivables, trade payables, amount due to Director and the decrease in our bank balance and cash as at 31 December 2017.

ANALYSIS OF VARIOUS ITEMS IN THE COMBINED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

During the Track Record Period, our Group's property, plant and equipment represented building and leasehold improvements and office equipment which were mainly to accommodate our staffs, engineering team and the storage of our inventories. As at 31 December 2014, 2015, 2016 and 30 September 2017, our property, plant and equipment amounted to approximately HKD0.4 million, HKD0.3 million and HKD52.0 million and HKD50.7 million, respectively. The carrying amount of our property, plant and equipment increased significantly by approximately HKD51.7 million as at 31 December 2016. The leasehold land and building of HKD43.4 million and HKD42.3 million have been mortgaged to secure general banking facilities granted to the Group at 31 December 2016 and 30 September 2017.

The net book value of leasehold land and building at the end of each of the Relevant Period are analysed by the term of the leases are as follows:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
In Hong Kong				
– Medium term leases	–	–	43,361	42,298
In the PRC				
– Medium term leases	–	–	4,689	4,788
– Long term leases			920	939
	–	–	48,970	48,025

As at the Latest Practicable Date, we had three self-owned properties located in Hong Kong, and one self-owned property in each of Shanghai and Jinan. We consider that, in addition to capital appreciation and reducing our exposure to future rental expenditure increment, possessing a self-owned property in Hong Kong as its headquarters would enhance the confidence of stakeholders in the industry including brand name manufacturers and strengthen our ability to obtain Authorised Distributor status from other brand name Upstream Manufacturers. Besides, by having a self-owned property in each of Shanghai and Jinan, it would allow us to better maintain the relationship with our major customers within the regions and demonstrate to our customers the continuity of our operation within the regions.

Investment property

During the Track Record Period, our Group's investment property which were acquired for investment purpose.

As at 31 December 2014, 2015 and 2016, and 30 September 2017 investment property amounted to approximately HKD46.8 million, HKD49.1 million, HKD49.4 million and HKD51.4 million, respectively.

Our Group's investment property is a ground floor workshop but with the benefit of canteen use situated in Hong Kong and leased out to third party. The investment property was revalued by GA Valuation Limited as at 31 December 2014 and by International Valuation Limited as at 31 December 2015 and 2016 and 30 September 2017 on market value basis, for details of which, please refer to "Appendix III – Valuation Report" of this prospectus. The investment property has been mortgaged to secure general banking facilities granted to the Group, for details of which, please refer to "Financial Information - bank borrowing" of this prospectus.

Inventories

The inventories of our Group comprise the electronic component products we sourced from our suppliers. Our Group's inventories balance was approximately HKD48.7 million, HKD60.9 million, HKD116.0 million and further up to HKD197.7 million as at 31 December 2014, 2015 and 2016 and 30 September 2017, respectively. Such increases were in line with the overall increasing trend of our revenue during the Track Record Period.

The following table sets forth our inventory ageing analysis during the Track Record Period:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 90 days	24,695	47,249	107,242	173,088
between 91 - 180 days	3,463	3,126	1,325	9,048
between 181 - 365 days	7,458	1,223	4,454	14,048
Over 365 days	13,129	9,339	3,000	1,528
Total	48,745	60,937	116,021	197,712

Our management regularly monitors the inventory level in our warehouses, tracks inventory movement and sales progress and adjusts levels of inventory accordingly. Our allowance for slow-moving and obsolete inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and the allowance charge/write-back in the period in which such estimate has been changed. For details of our impairment policy, please refer to section headed "Business – Inventory – Inventory impairment policy" of this prospectus.

As at 31 December 2014, 2015 and 2016 and 30 September 2017, the carrying amounts of inventories were HKD48.7 million, HKD60.9 million, HKD116.0 million and HKD197.7 million respectively. As at 31 December 2014, our Group had recorded some slow-moving inventory aged over 180 days of approximately HKD20.6 million. Approximately 95.9% of these slow-moving inventories were items of our General Component products, including main chips products applied to the production and assembling of standard definition set-top box and tablets products of our customers. To the best knowledge and belief of our Directors, these products were slow-moving mainly due to the project delays of our customers. Most of these products were subsequently sold to the corresponding customers in FY2015. As at 31 December 2015, we recorded slow-moving inventories aged over 180 days of approximately HKD10.6 million. Approximately 92.0% of these slow-moving inventories were General Components. As the technology becomes more mature, a type of surveillance product, which was highly cost-effective and easy to mass produce, was launched by a electronic component manufacturer in the market in 2015, leading to a significant drop in market prices to the surveillance products and the General Components we sourced from Supplier C. Due to the change of market condition of these products, our senior management had decided to write down some value of some of our inventory amounted to approximately HKD2.5 million in FY2015. Majority of such products were sold subsequently in FY2016. As at 31 December 2016, we recorded slow-moving inventories aged over 180 days of approximately HKD7.5 million. Approximately 27.4% of these slow-moving inventories was our General Components which was mainly the said surveillance products brought forward to FY2016. These slow-moving products were still subsequently selling to our customers up to April 2017. Approximately 70.6% of these slow-moving inventories were items of our Data & Cloud products. These products were slow-moving mainly due to the project delays of our customers with most of which were subsequently sold up to April 2017. As at 30 September 2017, our Group had recorded some slow-moving inventory aged over 180 days of approximately HKD15.6 million. Approximately 57.9% of these slow-moving inventories were items of memory products, most of which were subsequently sold to our customers up to January 2018.

During the Track Record Period, we had written down inventories amounted to approximately nil, HKD2.5 million, nil and HKD0.3 million for each of FY2014, FY 2015, FY 2016 and FP2017.

Approximately HKD175.2 million or 88.6% of our inventories as at 30 September 2017, had been subsequently sold up to 15 February 2018.

The following table sets forth our inventory turnover days during the Track Record Period:

	FY2014	FY2015	FY2016	FP2017
Inventory turnover days	27.4 days	18.8 days	20.1 days	22.8 days

Note:

The inventory turnover days for a year/period is the average inventory balance divided by cost of sales for that year and multiplied by 365 days for FY2014, FY2015 and FY2016 and by 273 days for FP2017. Average inventory balance is the sum of the beginning and ending inventory balance for the relevant year divided by two.

Our inventory turnover days during the Track Record Period were approximately 27.4 days, 18.8 days, 20.1 days and 22.8 days, respectively. Typically, we intended to maintain around one month's worth of inventory. We closely monitor our inventory level to meet our requirements as safety stock and avoid stocking up obsolete inventory.

For FY2014 and FY2015, the decrease in our inventory turnover days was mainly attributable to the significant increase in our cost of sales during the respective years which had outweighed the growth in our inventory level indicating an inventory shortage where the rapidly increasing market demand had outpaced the production lead time of our suppliers. For FY2016 and FP2017, our inventory turnover days remained relatively stable and increased slightly by approximately 1.3 days and 2.7 days, respectively, mostly attributable to our continuously increasing inventory level in response to the significant growth in our purchase orders from customers.

Trade receivables

The following table sets forth our trade receivables as of the dates indicated:

	FY2014	FY2015	FY2016	FP2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	94,040	172,725	308,403	532,438
Less: allowance for impairment	–	(2,119)	(2,119)	(2,119)
	94,040	170,606	306,284	530,319

Our Group's trade receivables represented the revenue receivables from our customers. Except for new customers (save for customers of larger scale and/or with listing status) where payment in advance is normally required. The credit terms given to our customers vary from 1 day to 120 days after monthly statement. Our Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by our senior management. Trade receivables are non-interest-bearing and their carrying amounts approximate to their fair values. Our accounting department is in charge of periodic collection tasks, and the accounting team periodically verifies collection status with the sales team, monitors the aging of trade receivables and prepares financial records. Our trade receivables amount to approximately HKD94.0 million, HKD170.6 million, HKD306.3 million and HKD530.3 million as at 31 December 2014, 2015, 2016 and 30 September 2017 respectively. The overall increasing trend of our trade receivables was in line with the overall increasing revenue of our Group during Track Record Period. As at 30 September 2017, the significant increase in our Trade receivables were driven by the significant growth in our revenue by approximately 76.1% as compared to FP2016 as detailed under "Financial Information – Revenue – FP2017 compare to FP2016" of this prospectus.

The table below sets out the aging analysis of the trade receivables based on the invoice dates as at the end of the reporting years:

The following is an ageing analysis of trade receivables based on the invoice date:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	64,159	93,649	164,683	271,763
31 – 60 days	17,594	59,012	107,463	124,315
61 – 90 days	8,007	17,729	22,455	59,032
More than 90 days	4,280	2,335	13,802	77,328
	94,040	172,725	308,403	532,438
Less: Allowance for impairment	–	(2,119)	(2,119)	(2,119)
	94,040	170,606	306,284	530,319

An aged analysis of our Group's trade receivables which are past due but not impaired is as follows:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Less than 1 month past due	6,703	22,111	42,604	28,253
1 to 3 months past due	356	1,113	6,531	55,302
More than 3 months past due	–	938	–	2,002
	7,059	24,162	49,135	85,557

An aggregate carrying amount of HKD7.1 million, HKD24.2 million, HKD49.1 million and HKD85.6 million which were past due as at 31 December 2014, 2015 and 2016 and 30 September 2017 respectively for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. Such trade receivables that were past due but not impaired related to a number of independent customers of our Group in respect of which our management believes that no impairment allowance is necessary as there has not been a significant change in their credit quality up to the Latest Practicable Date and the outstanding balances are still considered fully recoverable according to our assessment. Almost all of our Group's trade receivables which were past due but not impaired as at 30 September 2017 has been subsequently received.

Our impairment losses in respect of trade receivables were recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the allowance for doubtful debts during the Track Record Period is as follows:

		As at 31 December		**As at 30 September**
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	–	–	2,119	2,119
Impairment loss recognised	–	2,119	–	–
At 31 December/30 September 2017	–	2,119	2,119	2,119

At 31 December 2015 and 2016 and 30 September 2017, our trade receivables of approximately HKD2.1 million was individually determined to be impaired and fully provided for. Such individually impaired receivable related to a customer who has financial difficulties and our Group has filed a winding up petition against this customer. Our Group does not hold any collateral over the balance.

At 31 December 2014, 2015 and 2016 and 30 September 2017, trade receivables of the Group with an aggregate carrying amount of HKD39.0 million, HKD116.6 million, HKD214.5 million and HKD419.0 million respectively have been assigned to banks to secure the general banking facilities of the Group.

As at 15 February 2018, approximately HK$526.2 million or 99.2% of our trade receivables as of 30 September 2017 had been subsequently settled.

The following table sets forth our trade receivables turnover days during the Track Record Period:

30 September

	FY2014	**FY2015**	**FY2016**	**FP2017**
Trade receivables turnover day	47.9	43.1	51.1	57.8

Note:

(1) The trade receivables turnover days for a year/period is the average trade receivables balance divided by revenue for that year and multiplied by 365 days for each of FY2014, FY2015 and FY2016 and by 273 days for FP2017. Average trade receivables balance is the sum of the beginning and ending trade receivables balance less the impairment losses on trade receivables for the relevant year/period divided by two.

Our trade receivables turnover days decreased from approximately 47.9 days in FY2014 to approximately 43.1 days FY2015 and increased to approximately 51.1 days in FY2016. The decrease in trade receivables turnover day in FY2015 was mainly attributable to the fact that the growth in our sales during the respective year had outweighed the growth in our trade receivables level, indicating that a slow-down in recognizing sales and trade receivable as a result of the aforementioned shortage in inventory supply. During FY2016, the increase in our trade receivables turnover day was mainly in line with the substantial growth in our sales to some customers which were granted with a longer credit term.

Other receivables, deposits and prepayments

The following table set forth the details of our Group's other receivables, deposits and prepayments, as at the dates indicated:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other receivables	1,060	5,057	3,873	4,278
Deposit for purchase	7,083	7,710	15,243	93,630
Prepayment of listing expenses	288	354	–	2,506
Utilities and other deposits	122	212	380	305
Prepaid expenses	331	591	847	1,789
	8,884	13,924	20,343	102,508

During the Track Record Period, our prepayments, deposits and other receivables mainly represented other receivables, deposit for purchase, prepayment of listing expenses, utilities and other deposits and prepaid expenses. Our other receivables, deposits and prepayments were approximately HKD8.9 million, HKD13.9 million, HKD20.3 million and HKD102.5 million as at 31 December 2014, 2015 and 2016 and 30 September 2017, respectively. The significant increase in our other receivables, deposits and prepayments by approximately HKD5.0 million as at 31 December 2015 was mainly driven by the increase in other receivables by (i) approximately HKD2.7 million due to the increase in other income receivable as a result of an increasing amount of inventory we sourced from a customer who provided us with price protection, in the case that the selling price of their inventory dropped in the market; and (ii) a deposit of approximately HKD1.3 million to be returned to our Group from an Authorised Distributor who failed to provide the products we had ordered. The significant increase in our other receivables, deposits and prepayments as at 31 December 2016 by approximately HKD6.4 million was mainly driven by the drop in other receivable by (i) approximately HKD1.2 million due to the settlement of the aforementioned returned deposits; and (ii) the increase in deposit of approximately HKD7.8 million for purchase placed with a new Customer. The significant increase in our other receivables, deposits and prepayments as at 30 September 2017 by approximately HKD82.2 million was mainly driven by (i) the increase in prepayment of listing expenses approximately HKD2.5 million; and (ii) the increase in deposit of approximately HKD78.4 million for deposit paid to suppliers, mainly being Supplier H and Supplier J. Of the deposits of approximately HK$93.6 million for FP2017, approximately HK$74.0 million represented the cash deposit we placed to Supplier H on a continuous basis for our on-going demand of products, which has no fixed term and is redeemable on demand. Other deposits were fully utilised during FP2017.

Trade payables

The following table set forth the details of our Group's trade payables, as at the dates indicated:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	69,141	58,110	159,268	261,634

During the Track Record Period, our Group's trade payables represented our payables to suppliers for purchase of electronic components.

Our trade payables were approximately HKD69.1 million, HKD58.1 million, HKD159.3 million and HKD261.6 million as at 31 December 2014, 2015 and 2016 and 30 September 2017, respectively. The decrease in our trade payables as at 31 December 2015 was in line with the aforementioned temporary shortage of inventory supply in December 2015 , resulting in a drop in trade payable to our suppliers as at 31 December 2015. The increase in our trade payables as at 31 December 2016 was in line with the substantial growth in our sales and inventory level.

An ageing analysis of the Group's trade payables presented based on the invoice date at the end of each reporting period, is as follows:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	61,378	51,687	147,889	152,989
31 – 60 days	4,120	1,971	9,497	88,332
61 – 90 days	1,726	976	339	18,853
More than 90 days	1,917	3,476	1,543	1,460
	69,141	58,110	159,268	261,634

As at 15 February 2018, approximately 100% of our trade payable as of 30 September 2017 had been subsequently settled.

The following table sets forth our trade payables turnover days during the Track Record Period:

	FY2014	FY2015	FY2016	FP2017
Trade payables turnover day	34.0	21.8	24.7	30.6

Note:

(1) The trade payables turnover days for a year/period is the average trade payables balance divided by our cost of sales for that year and multiplied by 365 days for each of FY2014, FY2015 and FY2016 and by 273 days for FP2017. Average trade payables balance is the sum of the beginning and ending trade payables balance divided by two.

We order inventory from our Upstream Manufacturer suppliers through individual purchase orders. Trade payables turnover days were approximately 34.0 days, 21.8 days, 24.7 days and 30.6 days in FY2014, FY2015, FY2016 and FP2017, respectively. The decrease in our trade payable turnover days was the result of the significant increase in purchase orders placed to our supplier, which exceeded the credit limits provided by whom led to an early settlement of some of our trade payable to our suppliers in December 2015. During FY2016 and FP2017, the increase in our turnover day was due to the fact that our Group was granted with more credit limit and prolonged credit terms in view of the growth in our purchase orders, in particular with Supplier H.

Potential mismatch of trade receivables turnover days and trade payables turnover days

During the Track Record Period, our trade payables turnover days were approximately 34.0 days, 21.8 days, 24.7 days and 30.6 days, our trade receivables turnover days were approximately 47.9 days, 43.1 days, 51.1 days and 57.8 days, respectively. Our Group had experienced trade receivables turnover days longer than our trade payables turnover days in FY2014, FY2015, FY2016 and FP2017, resulting in a potential cash flow mismatch of trade receivables turnover days and trade payables turnover days for the respective years.

Our Directors are of the view that the above turnover days should not indicate material liquidity pressure of our Group, in view of the following: (i) the continuous uses of our factoring loans, other bank loans and bank instalment loans during the Track Record Period which are considered as our liquidity management policy which strengthens the liquidity position of our Group as detailed under the section headed "Financial Information – Bank Borrowings" and Business – Liquidity Management Policy" of this prospectus; (ii) our Group had adequately unutilised bank borrowings during FY2014, FY2015, FY2016 and FP2017 to provide additional funding for the need of our working capital and the expansion of our business, for details, please refer to the section headed "Financial Information – Indebtedness" of this prospectus; (iii) our positive financial position from being at a net current asset position during the Track Record Period, please refer to section headed "Financial Information — Net Current Assets" in this prospectus. Considering our Group has recognised increasing revenue over the Track Record Period, our finance needs were mainly incurred as a result of the purchase of additional inventory so as to satisfy the increasing demand of our products. As a result, our Directors are of the view that our Group has sufficient working capital for our future operation needs.

Other payables, accruals and deposit received

The following table set forth the details of our Group's other payables, accruals and deposit received as at the dates indicated:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables and accruals	4,257	8,605	12,229	6,750
Value added tax payables	45	128	259	757
Customer deposit received	724	654	663	2,059
Rental deposit received	345	369	405	405
	5,371	9,756	13,556	9,971

During the Track Record Period, our other payables, accruals and deposit received mainly consisted of other payables and accruals, value added tax payables, customer deposit received and rental deposit received. Our other payables, accruals and deposit received were approximately HKD5.3 million, HKD9.8 million, HKD13.6 million and HKD10.0 million as at 31 December 2014, 2015 and 2016 and 30 September 2017, respectively. The significant increase in our other payables, and deposit received by approximately HKD4.4 million as at 31 December 2015 was mainly driven by: (i) increase in the other payable of our director remuneration and staff salaries in aggregate by approximately HKD2.2 million which was in line with the growth in revenue and the expansion of business of our Group during the respective year; and (ii) the unearned promotional bonus of approximately of HKD1.4 million which was in relation to a ship and debit program used by our supplier to mitigate our risks of carrying their inventory. The significant increase in our other payables, accruals and deposit received as at 31 December 2016 by approximately HKD3.8 million was mainly driven by: (i) increase in payable of our director remuneration and staff salaries in aggregate by approximately HKD5.1 million which was in line with the continuous growth in revenue and expansion of business of our Group during the respective year; and (ii) the recognition of the aforementioned unearned promotional bonus. The decrease in our other payables, accruals and deposit received as at 30 September 2017 by approximately HKD3.6 million was mainly attributable to the net effect of: (i) decrease in payable of our staff salaries upon settlement during the corresponding period; and (ii) the increase in customer deposits received from our customers without credit terms.

Amount due to a director and related party

The following table set forth the details of our Group's amount due to a director and related party as at the dates indicated:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The Group				
Amount due to a director				
Mr. Lee	5,751	15,787	2,801	4,055
Amount due to related party				
Mr. Pai Yi Lin *(note)*	–	–	4,929	–
Mr. CH Lee	–	–	–	1,560
	–	–	4,929	1,560
The Company				
Amount due to a related company				
AVT International Limited	296	300	332	400

Note: *Mr. Pai Yi Lin is a director and non-controlling shareholder of subsidiaries of the Group.*

On 21 March 2014, amount due to Mr. Lee of approximately HKD3.0 million was capitalised by way of AVT International issuing 78,947 shares to Mr. Lee.

All of the above amount due to a director and related parties during the Track Record Period were unsecured, interest-free and repayable on demand. The amount due from a director during the Track Record Period was unsecured, interest-free and has no fixed terms of repayment.

Our Directors confirmed that all of our amount due to Mr. Lee and the related party as at 31 December 2017 is expected to be settled in full before the Listing.

Bank Borrowings

As at 31 December 2014, 2015 and 2016 and 30 September 2017, our Group's bank borrowings represented loans from banks in Hong Kong. The following table sets forth our Group's bank borrowings as at 31 December 2014, 2015 and 2016 and 30 September 2017:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities				
Factoring loans	17,256	83,904	146,991	277,545
Other bank loans	21,746	25,725	89,436	211,886
Bank instalment loans				
– portion of loans due for repayment within one year	742	752	2,549	9,184
– portion of loans due for repayment after one year which contain a repayment on demand clause	7,344	6,589	23,458	21,526
Bank overdrafts	–	–	–	136
	47,088	116,970	262,434	520,277

In view of our Directors, the relatively high indebtedness of our Group during the Track Record Period indicated our financial and liquidity needs derived from our growing business operation. Such needs consisted mainly of: (i) our short term need – to maintain our working capital when there is any mismatch of cash inflow and outflow resulted from our growing operation; and, (ii) our long term need – to release the liquidity from the acquisition cost of our properties to accommodate our growing business operations. Along with our growing business operations, our Group has sought to maintain sufficient working capital by way of holding a relatively high level of bank borrowings in response to increasing purchase orders from our customers throughout the Track Record Period and any delay in the receipts of payments from our customers. To maintain our working capital sufficiency, our Group has also adopted liquidity management policy as detailed under section headed "Business – Liquidity management policy" in this prospectus.

Our Group bank borrowings were unrestricted and carried at amortised cost with a clause of repayment on demand and are therefore classified as current liability.

Our factoring loans were variable-rate borrowings which carried effective rate (which is also equal to contractual interest rate) of 1.43% to 2.92%, 1.79% to 3.18%, 2.18% to 3.00% and 2.51% to 3.24% respectively per annum at 31 December 2014, 2015 and 2016 and 30 September 2017.

Our other bank loans represent import loans, trust receipts loans and revolving loan which were variable-rate borrowings and carried effective interest rate ranging from 1.48% to 2.96%, 1.57%, 2.10% to 3.70% and 2.55% to 4.03% at 31 December 2014, 2015 and 2016 and 30 September 2017 respectively.

Our bank instalment loans were variable-rate borrowings and carried effective interest rate of 1.23%, 1.20%, 1.37% to 2.18% and 1.42% to 2.22% at 31 December 2014, 2015 and 2016 and 30 September 2017 respectively.

During the Track Record Period, our Group had transferred the collection right of certain trade receivables to financial institutions under factoring agreements. In case of default of the trade receivables, the factoring loans will be covered by insurance with the relevant bank as both the policy holder as well as beneficiary. However, according to our accounting policy, such transfers of account receivables and factor loans do not qualify for derecognition in the combined financial statements. As such, account receivables which are factored to banks according to respective factoring facilities are still on our Group's statement of financial position. The factoring facilities are secured by pledge of assets and personal guarantees executed by Mr. Lee, Ms. Lo, Mr. CH Lee and Mr. Pai. Given that the financial institutions are authorised to realise and sell the pledged assets in case of default and guarantee is provided to the transferees, our Group has not transferred substantially all the risks and rewards of the ownership relating to the transferred assets to the financial institutions. These liabilities are derecognised when the obligations are discharged, cancelled or expired. As such, when our invoices, in other words, the assigned trade receivables have been subsequently settled in full by these customers or the ownership of which is eventually transferred out, these trade receivables and factoring facilities will therefore be derecognized from our combined financial statement.

The carrying amounts of the transferred assets and their associated liabilities are as follows:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	Trade receivables transferred under factoring agreements	**Trade receivables transferred under factoring agreements**	**Trade receivables transferred under factoring agreements**	**Trade receivables transferred under factoring agreements**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount of transferred assets	33,902	106,674	188,763	391,960
Carrying amount of associated liabilities	17,256	83,904	146,991	277,545

The reconciliation between the carrying amount of the transferred assets and the carrying amount of the trade receivables assigned to banks to secure the general banking facilities of the Group as detailed under "Trade receivables" is as follows:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount of secured trade receivables	39,019	116,608	214,476	418,953
Less invoices not yet presented to banks for factoring	(5,117)	(9,934)	(25,713)	(26,993)
Carrying amount of transferred assets	33,902	106,674	188,763	391,960

At 31 December 2014 and 2015, the banking facilities of our Group were secured by trade receivables of our Group with an aggregate carrying amount of HKD39.0 million and HKD116.6 million respectively, the legal charge over the investment properties of the Group, cash deposit in name of a related company, property of Mr. Lee and properties owned by the companies controlled by Mr. Lee, personal guarantees executed by Mr. Lee and Ms. Lo and corporate guarantee executed by related companies.

As at 31 December 2016, the banking facilities of our Group were secured by trade receivables of our Group with an aggregate carrying amount of HKD214.5 million, the legal charge over the investment properties of our Group, leasehold land and buildings of HKD43.4 million of our Group, property of Mr. Lee and properties owned by the companies controlled by Mr. Lee, personal guarantees executed by Mr. Lee and Ms. Lo and corporate guarantee executed by related companies.

At 30 September 2017, the banking facilities of the Group were secured by trade receivables of the Group with an aggregate carrying amount of HKD419.0 million, the legal charge over the investment properties of the Group, leasehold land and buildings of HKD42.3 million of the Group, property of Mr. Lee and properties owned by the companies controlled by Mr. Lee, insurance policy executed by a related company, personal guarantees executed by Mr. Lee, Ms. Lo, Mr. CH Lee and Mr. Pai, and corporate guarantee executed by related companies. As at 30 September 2017, the significant increase in banking borrowing was mainly factoring loans and other bank loans which were used to finance the required working capital in response to the significant growth in our revenue by approximately 76.1% as compared to FP2016, as detailed under "Financial Information – Revenue – FP2017 compared to FP2016" of this prospectus.

At 31 December 2014, 2015, 2016 and 30 September 2017, our bank installment loans were due for repayment as follows, which are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	742	752	2,549	9,184
After one year but within two years	751	762	2,598	2,632
After two years but within five years	2,312	2,342	7,881	7,353
After five years	4,281	3,485	12,979	11,541
	8,086	7,341	26,007	30,710

For the updated information of the indebtedness of our Group's financial position, please refer to section headed " Financial information – indebtedness " of this prospectus.

Tax Payables

As at 31 December 2014, 2015 and 2016, 30 September 2017, our tax payables were approximately HKD1.0 million, HKD3.3 million, HKD4.6 million, HKD12.7 million, respectively. Tax payables as at 31 December 2014, 2015 and 2016, 30 September 2017 mainly represented tax payables charged on the estimated assessable profits of our Group derived in Hong Kong at a rate of 16.5% according to the relevant tax rules.

SELECTED KEY FINANCIAL RATIOS

	FY2014	FY2015	FY2016	FP2017
Current ratio[1]	1.3 times	1.3 times	1.1 times	1.1 times
Quick ratio[2]	0.9 times	1.0 times	0.9 times	0.9 times
Gearing ratio[3]	60.1%	123.7%	177.5%	278.8%
Debt to equity ratio[4]	40.2%	108.7%	140.8%	243.5%
Interest coverage[5]	13.5 times	18.0 times	13.9 times	6.5 times
Return on total assets[6]	5.2%	7.9%	7.5%	3.4%
Return on equity[7]	12.8%	22.8%	27.0%	14.4%
Net profit margin[8]	1.4%	2.2%	2.6%	1.7%

Notes:

(1) Current ratio is calculated based on total current assets divided by total current liabilities as of the end of the respective year/period.

(2) Quick ratio is calculated based on total current assets less inventories, prepaid lease payments and pledged bank deposits in current assets, divided by total current liabilities as of the end of the respective year/period.

(3) Gearing ratio is calculated based on the total debts (bank borrowings and amounts due to a director and a related party) divided by the total equity as at the respective year/period end and multiplied by 100%.

(4) Debt to equity ratio is calculated by the net debt (bank borrowings and amounts due to a director and a related party net of cash and cash equivalents) divided by the total equity as at the respective year/period end and multiplied by 100%.

(5) Interest coverage is calculated by the profit before interest and income tax divided by the interest for the respective year/period.

(6) Return on total assets is calculated by the profit for the year/period divided by the total assets as at the respective year end and multiplied by 100%.

(7) Return on equity is calculated by the profit for the year/period attributable to owners of the Company divided by the shareholders' equity as at the respective year end and multiplied by 100%.

(8) Net profit margin is calculated by the profit for the year/period divided by the revenue for the respective year/period and multiplied by 100%.

Please refer to the section headed "Financial Information – Discussion and Analysis of Financial Position and Financial Performance of our Group" of this prospectus for a discussion on factors affecting revenue growth, net profit growth, gross profit margin and net profit margin during the respective years.

Current Ratio

Our current ratio remained stable at approximately 1.3 times as at 31 December 2014 and 2015. As detailed under section headed "Financial information – Net Current Assets" in this prospectus, the net percentage increase of our current asset as at 31 December 2015 was mostly offset by the net percentage increase in our current liabilities and the dividend payment of approximately HKD5.0 million. As at 31 December 2016, our current ratio decreased to 1.1 times, mainly as a result of the significant increase in our current liabilities as at 31 December 2016, attributable to the acquisition of leasehold land and building in Hong Kong and the PRC, as detailed under section headed "Financial Information – Plant, Property and Equipment" in this prospectus. Such increase had outweighed the significant increase in our current assets derived from the increase from our net profit during the year, leading to an overall drop in our net current assets during the respective year, for details, please refer to section headed "Financial information – Net Current Assets" of this prospectus. Our current ratio remained stable at 1.1 times as at 30 September 2017. As detailed under section headed "Financial information – Net Current Assets" in this prospectus, the net percentage increase of our current asset as at 30 September 2017 was mostly offset by the net percentage increase in our current liabilities.

Quick Ratio

Our quick ratio increased from approximately 0.9 times as at 31 December 2014 to approximately 1.0 times as at 31 December 2015. Despite our current ratio remained stable as explained above, the increase in our quick ratio as at 31 December 2015 was mainly attributable to the improvement in our inventory turnover days during the respective year. As detailed under section headed "Financial information – Net Current Assets" in this prospectus, the net percentage increase of our current asset as at 30 September 2017 was mostly offset by the net percentage increase in our current liabilities. Our quick ratio remained stable at 0.9 times as at 30 September 2017, mainly attributable to the increase of our net current liabilities as explained above.

Gearing ratio

As explained under section headed "Business – Liquidity Management Policy" our Group had maintained relatively high gearing ratio as at 31 December 2014, 2015 and 2016 and 30 September 2017 which was approximately 60.1%, 123.7%, 177.5% and 278.8% respectively. As at 31 December 2014, 2015 and 2016 and 30 September 2017, our Group held increasingly high level of indebtedness during the Track Record Period to finance our growing operations. The increase in the gearing ratio as at 31 December 2015 was mainly attributable to (i) the significant increase in our bank borrowings in term of the interest bearing liabilities of our Group by approximately HKD69.9 million mainly in forms of factoring loans, as detailed under section headed "Financial Information – Bank Borrowings" in this prospectus, (ii) the dividend payment of approximately HKD5.0 million and (iii) the increase in our total equity as the results of the net profit of approximately HKD24.4 million during the respective year. As detailed under section headed "Financial information – Net Current Assets" in this prospectus, the net percentage increase of our current asset as at 30 September 2017 was mostly offset by the net percentage increase in our current liabilities. As at 30 September 2017, the further increase in our gearing ratio was due to the net effect of (i) the significant increase in our total bank borrowings by approximately HKD257.8 million mainly in forms of factoring loans, and other bank loans, in response to the increasing required working capital for our inventory procurements, as detailed under section headed "Financial Information – Bank Borrowings" in this prospectus and (ii) the increase in our total equity as the results of the net profit of approximately HKD33.8 million during the respective year.

Debt to equity ratio

Our debt to equity ratio as at 31 December 2014, 2015 and 2016 and 30 September 2017 was approximately 40.2%, 108.7%, 140.8% and 243.5% respectively. The increase in our debt to equity ratio during the Track Record Period was in line with the trend of our gearing ratio due to the aforementioned reasons. In the view of our Directors, such relatively high debt to equity ratio of our Group during the Track Record Period indicated our financial and liquidity needs derived from our growing business operation. Such needs consisted mainly of: (i) our short term need — to maintain our working capital when there is any mismatch of cash inflow and outflow resulted from our growing operation; and (ii) our long term need — to release the liquidity from the acquisition cost of our self-owned land and building to accommodate our growing business operations. Along with our growing business operations, our Group has sought to maintain sufficient working capital by way of holding a relatively high level of bank borrowings in response to increasing purchase orders from our customers throughout the Track Record Period. To maintain our working capital sufficiency, our Group also had employed liquidity management policy as detailed under section headed "Business — Liquidity Management Policy" in this prospectus.

Interest coverage

Our interest coverage ratio in FY2014, FY2015, FY2016 and FP2017, was approximately, 13.5 times, 18.0 times, 13.9 times and 6.5 times respectively. The increase in our interest coverage as at 31 December 2015 resulted from the increase in our profit before interest and taxation, outweighing the increase of our finance cost incurred during the respective year. The drop in our interest coverage as at 31 December 2016 and 30 September 2017, respectively resulted from the increase in our finance costs due to the aforementioned significant increase in bank loans during the respective year, outweighing the increase in our profit before interest and income tax of our Group during the respective years,.

Return on total assets

Our return on total assets was approximately 5.2%, 7.9%, 7.5% and 3.4% in FY2014, FY2015, FY2016 and FP2017, respectively. While the total assets recorded an increase of approximately 43.9% in FY2015, our net profit after tax during the respective year increased by approximately 116.4% as detailed under section headed "Financial information – Net Profit After Tax and Profit Margin" in this prospectus, leading to the overall increase in our return on total assets during FY2015. While net profit after tax in FY2016 increased by approximately 83.4% as detailed under section headed "Financial information – Net Profit After Tax and Profit Margin" in this prospectus, our total assets as at 31 December 2016 recorded an increase of approximately 92.8%, leading to the slight decrease in our return on total assets during FY2016. The substantial decrease in return on asset for the nine months ended 30 September 2017 was mainly attributable to: (i) the increase in total assets as at 30 September 2017 by approximately 66.5% as compared to 31 December 2016; and (ii) the fact that only the results of operation for nine months were taken into account and therefore the return on asset for the nine months ended 30 September 2017 was significantly lower than the same ratio for the year ended 31 December 2016.

Return on equity

Our return on total equity was approximately 12.8%, 22.8%, 27.0% and 14.4% in FY2014, FY2015, FY2016 and FP2017, respectively. Our return on total equity increased in FY2015 was mainly due to the net effect of (i) the increase in our net profit after tax of approximately HKD13.2 million during the respective year; and (ii) the dividend payment of approximately HKD5.0 million. Our return on total equity increased in FY2016 was mainly due to the increase in our net profit after tax attributable to owners of the Company of approximately HKD15.3 million during the respective year. The substantial decrease in return on total equity for the nine months ended 30 September 2017 was mainly due to the fact that only the results of operation for nine months were taken into account and therefore the return on equity for the nine months ended 30 September 2017 was significantly lower than the same ratio for the year ended 31 December 2016.

CONTINGENT LIABILITIES

As at 30 September 2017, our Group gave the following guarantees to a bank to secure certain non-revolving banking facilities granted to two related companies owned by Mr. Lee:

– guarantee limited to HKD86.0 million plus default interest and other costs and expenses provided by AVT International, our subsidiary and three related companies owned by Mr. Lee; and

– guarantee with unlimited amount provided by AVT International and a related company owned by Mr. Lee.

Such banking facilities utilised by the two related companies as at 30 September 2017 amounted to approximately HKD31.8 million for a short-term lift purpose in acquiring properties for the personal investment of Mr. Lee.

As at 31 December 2014, 2015 and 2016 and 30 September 2017, saved as disclosed in this section and under the section headed "Business – Legal and compliance matters – Dispute with past employee" of this prospectus, our Group did not have any significant contingent liabilities.

LISTING EXPENSES

Based on the Offer Price of HKD0.49 (being the mid point of the Offer Price range stated in this prospectus), estimated listing expenses in connection with the Global Offering are approximately HKD42.2 million, of which approximately HKD6.1 million, HKD2.6 million, HKD3.2 million, HKD1 million and HKD0.1 million have been charged to profit or loss for FY2012, FY2013, FY2014, FY2015, FY2016 respectively. For FP2017, approximately 12.2 million have been charged to profit or losss. For FY2017 and FY2018, approximately HKD19.0 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and approximately HKD10.2 million is expected to be directly attributable to issue of Shares and accounted as a deduction from equity upon the successful listing under the relevant accounting standards.

INDEBTEDNESS

As at the close of business on 31 December 2017, being the latest practicable date for ascertaining information regarding this indebtedness statement, our Group had the following indebtedness:

	As at 31 December 2017
	HK$'000
Factoring loans	225,000
Other bank loans	226,246
Bank instalment loans	
– portion of loans due for repayment within one year	7,182
– portion of loans due for repayment after one year which contain a repayment on demand clause	20,910
Bank Overdraft	148
	479,486
Amount due to a director, Mr. Lee	8,247
Amount due to a related party	1,560
	489,293

As at 31 December 2017, our Group had total available unrestricted banking facilities of approximately HKD1,179.6 million, of which approximately HKD620.7 million was utilised, and approximately HKD558.9 million were unrestricted and available to be drawn down. The interest rate of the bank borrowings at 31 December 2017 ranged from 1.79% to 4.41% per annum.

As at 31 December 2017, the Group had total outstanding borrowings of approximately HKD489.3 million, comprising secured bank loans of approximately HKD479.5 million, and amounts due to a director and a related party of approximately HKD9.8 million which are unsecured, interest free and have no fixed term of repayment.

The banking facilities of the Group are secured by fixed charge over trade receivables of the Group amounted of approximately HKD466.7 million at 31 December 2017, the legal charge over the investment properties of our Group with carrying amount of HKD51.6 million, leasehold land and buildings of the Group with carrying amount of HKD41.9 million at 31 December 2017, fixed deposit of the Group amounted of HKD2.0 million, property of Mr. Lee, properties of a son of Mr. Lee, properties, securities and deposits owned by the companies controlled by Mr. Lee, insurance policy executed by a related company, personal guarantees executed by Mr. Lee, Ms. Lo, Mr. CH Lee and Mr. Pai and corporate guarantee executed by related companies.

As at 31 December 2017, our bank borrowings were repayable as follows:

	HK$'000
Within one year	458,576
After one year but within five years	9,771
After five years	11,139
	479,486

The above said guarantees and third party mortgages given by Mr. Lee (and companies controlled by Mr. Lee), Ms. Lo, Mr. CH Lee and Mr. Pai associated with the above banking facilities (including the factoring facilities) granted to our Group are to be released and replaced by guarantees of our Group upon Listing.

As at the close of business on 31 December 2017, corporate guarantees were provided by our Group for banking facilities granted to two related companies owned by Mr. Lee as set out under "Financial information – Contingent Liabilities" of this prospectus. The facilities utilised as at 31 December 2017 amounted to approximately HK$30.1 million. As confirmed by Mr. Lee, he is in the progress of replacing such guarantees given by our Group to his related companies by his own personal guarantee before the Listing. In any event that such of our Group's guarantees are not released before the Listing, Mr. Lee undertakes that he will settle the relevant bank borrowings in full by his own personal resources before the Listing.

Our Directors confirmed that all of our amount due to Mr. Lee and the related party as at 31 December 2017 is expected to be settled in full before the Listing.

For the purpose of compiling this indebtedness statement, foreign currency amounts have been translated into HKD at the applicable rates of exchange at the close of business on 31 December 2017.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables, our Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which were either guaranteed, unguaranteed, secured or unsecured guarantees or other material contingent liabilities at the close of business on 31 December 2017.

WORKING CAPITAL

Our Directors are of the opinion that, taking into account the financial resources available to our Group, including the estimated net proceeds of the Global Offering, the banking facilities available to our Group and the internally generated funds, that our Group has sufficient working capital for the present requirements for at least the next twelve months from the date of this prospectus.

CAPITAL EXPENDITURE AND COMMITMENT

Our Group's capital expenditures principally consisted of purchase of building and office equipment. Our Group primarily fund its capital expenditures through cash flows generated from operations and bank borrowings. The following table sets forth our Group's capital expenditure during the Track Record Period:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Leasehold land and building	–	–	50,314	–

OPERATING LEASES COMMITMENTS

As at 31 December 2014, 2015 and 2016 and 30 September 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

Our Group as lessee

At the end of each reporting period, our Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of leased properties which fall due as follows:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	582	1,472	537	1,643
In the second to fifth years, inclusive	–	620	–	889
	582	2,092	537	2,532

Operating lease payments mainly represent rentals payable by our Group for its office premises and warehouse in Hong Kong and the PRC. Leases are negotiated for an average term of 1 - 2 years with rentals fixed at the date of signing of lease agreements and do not include contingent rentals.

Our Group as lessor

Our Group leases its investment properties under operating lease arrangements. The lease of the investment properties is negotiated for a term of three years. The lease agreements do not include an extension option. As at 31 December 2014, 2015 and 2016 and 30 September 2017, our Group had contracted with tenants for the following minimum lease payments:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,452	369	1,620	1,701
In the second to fifth years, inclusive	369	–	2,187	891
	1,821	369	3,807	2,592

OFF-BALANCE SHEET ARRANGEMENTS

Saved for the operating lease commitments and contingent liabilities as disclosed in the subsections headed "Operating lease commitments" and "Contingent liabilities" in this section and the Accountants' Report set out in Appendix I to this prospectus, our Group had not entered into any material off-balance sheet transactions or arrangements as at the Latest Practicable Date.

PROPERTY INTEREST

International Valuation Limited, an independent property valuer, has valued our property interests as at 31 December 2017 and is of the opinion that the aggregate value of the property in which we had interest at such date was approximately HKD106.7 million. The full text of the letter, summary of values and valuation certificates with regard to our property interests are set out in the Valuation Report set out in Appendix IV to this prospectus. Set out below is a reconciliation in respect of our properties as disclosed in the Accountants' Report and the Valuation Report:

Investment properties

	Fair value as at 30 September 2017 in Accountants' Report	Valuation gain not recognised	Value as at 31 December 2017 in Valuation Report
	HK$'000	*HK$'000*	*HK$'000*
<u>Investment properties in Hong Kong</u>			
Factory No. 8 on Ground Floor, Elite Industrial Centre, No. 883 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong	51,400	200	51,600

Leasehold land and building

	Carrying amount as at 30 September 2017 in Accountants' Report	Valuation gain not recognised	Value as at 31 December 2017 in Valuation Report
	HK$'000	*HK$'000*	*HK$'000*
<u>Leasehold land and building in Hong Kong</u>			
Unit Nos. 2 & 3 on First Floor, Sun Cheong Industrial Building, No. 1 Cheung Shun Street, Nos. 2-4 Cheung Yee Street, Cheung Sha Wan, Kowloon, Hong Kong	39,697	5,333	45,030
Car Parking Space No. G5 on Ground Floor, Sun Cheong Industrial Building, No. 1 Cheung Shun Street, Nos. 2-4 Cheung Yee Street, Cheung Sha Wan, Kowloon, Hong Kong	2,601	269	2,870
<u>Leasehold land and building in the PRC</u>			
Unit No. 2006 (F) on Level 20, Shanghai Industrial Investment Building, No. 18 Caoxi North Road, Xujiahui Sub-district Office, Xuhui District, Shanghai Municipality, The PRC	4,788	372	5,160
Unit No. 602 on Level 6, Block 2, Zone III, Golden Times, No. 1587 Shunhua Road, High-Tech New Zone, Jinan Shi, Shandong Province, the PRC	939	1,121	2,060
	48,025	7,095	55,120
Total value in Accountants' Report/ Valuation Report	99,425		106,720

DISTRIBUTABLE RESERVES

As at 31 December 2014, 2015 and 2016 and 30 September 2017 and the Latest Practicable Date, our Company had no distributable reserves available for distribution to our Shareholders.

PROFIT ESTIMATE

Our Directors estimate, on the bases set out in Appendix III to this listing document, certain profit estimate data of the Company for the year ended 31 December 2017 will be not less than HK$33.3 million. The profit estimate, for which our Directors are solely responsible, has been prepared by them based on our combined results for the nine months ended 30 September 2017 as set out in the Accountants' Report in Appendix I to this listing document and our unaudited combined results for the three months ended 31 December 2017.

DIVIDEND

For FY2014, FY2015, FY2016 and FP2017, our Group declared dividends of approximately nil, HKD5.0 million, nil and nil, respectively. The dividends were paid to our then shareholders which were settled by cash.

We declared a special dividend of approximately HKD16.0 million and paid to our Shareholders on 13 February 2018 in full by cash generated through our internal resources. Our Directors consider that there will not be material adverse impact on our Group's financial and liquidity position arising out of the dividend payment.

We currently do not have a formal dividend policy or a fixed dividend distribution ratio. Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operation, financial condition, and other factors our Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Please refer to Appendix II to this prospectus for further details.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rate, credit and liquidity. For details, please refer to Note 8(b) to the Accountants' Report set out in Appendix I of this prospectus.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Hong Kong Stock Exchange on that date.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group entered into certain related party transactions, details of which are set out in the Note 36 to the Accountants' Report in Appendix I to this prospectus. Saved as disclosed in the sections headed "Business – Suppliers and Procurement – Major Suppliers – AVTE" and "Business – Suppliers and Procurement – Overlapping of Major Suppliers and Customers" regarding the Master Agreement with AVTE, our Directors confirm that these related party transactions were conducted on normal commercial terms and they would not distort our track record results or make our historical results not reflective of our future performance. Save as disclosed in the paragraph "Continuing Connected Transaction – Fully Exempt Continuing Connected Transaction", our Directors confirmed that these related party transactions have been discontinued on 30 June 2016.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in the section headed "Summary – Recent development" in this prospectus, the Directors confirm that, up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospect of our Group since 30 September 2017, being the date to which the latest audited financial statements of our Group were made up, and there had been no event since 30 September 2017 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

FUTURE PLANS AND BUSINESS OBJECTIVES

We intend to expand our business in line with the strategies set out in the section headed "Business – Strategies of our Group" of this prospectus.

USE OF PROCEEDS

Net Proceeds

The aggregate net proceeds from the Global Offering, after deducting underwriting fees and estimated total expenses in connection with the Global Offering and assuming an Offer Price of HKD0.49 per Share (being the mid-price of the Offer Price range), are estimated to be approximately HKD117.6 million.

We intend to use such net proceeds from the Global Offering for the following purposes:

(i) approximately HKD39.3 million, or approximately 33.4% of the net proceeds from the Global Offering, will be used to repay certain of our bank borrowings with effective interest rate of 2.58% to 4.18% per annum (based on the effective interest rates as at 30 November 2017 and due in March 2018), which was used as working capital, within two months after the Listing so as to enable us to maintain a healthy financial position such that we could obtain a more favourable credit period and credit limit from our existing or new suppliers and as a result, strengthen our financial resources to improve our cashflow mismatch between payment to suppliers and payment from our customers as well as to enhance the confidence of stakeholders in the industry including brand name Upstream Manufacturers towards our financial;

(ii) approximately HKD2.9 million, or approximately 2.4% of the net proceeds from the Global Offering, will be used for strengthening our research and development capabilities for the two years ending 31 December 2019 by establishing a new product development department and hiring four staff which consist of two research analysts and two supporting staff;

(iii) approximately HKD10.8 million, or approximately 9.2% of the net proceeds from the Global Offering, will be used for strengthening our sales and marketing and technical support team for further growth:

    (a) approximately HKD8.6 million, or approximately 7.3% of the net proceeds from the Global Offering, will be used for hiring 14 additional staff for the two years ending 31 December 2019. Initially, we plan to hire four experienced finance staff and administration staff, four engineers with certain years of experience and six sales and marketing staff with electronic engineering background for our Hong Kong and Shenzhen offices;

(b) for the two years ending 31 December 2019, approximately HKD2.2 million, or approximately 1.9% of the net proceeds from the Global Offering, will be used for organising internal trainings and sponsoring our staff for external trainings and arranging for our staff to attend trainings hosted by our suppliers and participate in trade exhibitions and fairs both locally and overseas so as to increase our market exposure and reputation.

(iv) for two years commencing from second quarter of 2018, approximately HKD4.7 million, or approximately 4.0% of the net proceeds of the Global Offering, will be used for enhancing our warehouse and office in Hong Kong. Among which, approximately HKD1.6 million will be used for rental payment of an additional warehouse with floor area of approximately 4,000 square feet to cope with the expected increase of inventory as a result of our business expansion; approximately HKD1.0 million will be used for renovation, fixtures and fittings of the additional warehouse; and approximately HKD2.1 million will be used for improving our office equipment such as computers and purchasing motor vehicles for our office in Hong Kong.

(v) Approximately HKD7.1 million, or approximately 6.0% of the net proceeds from the Global Offering, will be used for installing a centralized ERP system and purchasing software in support of our operation, among which approximately HKD2.8 million for the installation of the ERP system and approximately HKD4.3 million for purchasing support softwares, such as sales cloud and data analysis software, general office software and email exchange system for our frontline sales staff, in support of our operation. It is expected that the ERP system and the supporting softwares will be installed in the second quarter of 2018.

(vi) Approximately HKD5.0 million, or approximately 4.3% of the net proceeds from the Global Offering, will be used for setting up an office in each of Beijing and Chengdu in the third quarter of 2018 such that we could expand our sales network and technical support in Beijing and Chengdu and have better access to business opportunities in their vicinities. It is expected that, after taking into account the market conditions in Beijing and Chengdu areas, the rental payment and the staff costs for the two years ending 31 December 2019 together with costs of renovation, fixtures and fittings, motor vehicle and office equipment for setting up an office in Beijing is approximately HKD3.9 million while the rental payment and staff costs for the two years ending 31 December 2019 together with costs of renovation, fixtures and fittings and office equipment for setting up an office in Chengdu is approximately HKD1.1 million.

(vii) Approximately HKD36.1 million, or approximately 30.7% of the net proceeds from the Global Offering, will be used for acquisition and establishment of new office premises as our Shenzhen head office in the third quarter of 2018, among which approximately HKD33.6 million will be used for settling approximately 70% of the purchase price of the new office premises expected to be located in Futian district of Shenzhen with floor area of approximately 800 square meters while the balance will be settled by our internal resources; and approximately HKD2.5 million will be used for the renovation of the new office premises and the purchase of new fixtures and fittings, office equipment and motor vehicles for the new office premises.

(viii) the remaining amount of approximately HKD11.7 million, representing approximately 10.0% of the net proceeds, will be used to provide funding for our working capital and other general corporate purposes.

According to Frost and Sullivan, the market of electronic components distribution is expected to further grow with the continuously enlarging downstream markets. It is expected that the total sales value of electronic components distributors in PRC and Hong Kong will reach HKD4,832.9 billion in 2021, representing a CAGR of 16.4% from 2016 to 2021. Moreover, in view that (i) there will not be any significant decrease in demand of our Group's products given the respective stable revenue of our major customers and their business development; (ii) we have already received confirmed orders of not less than HK$300 million in aggregate and order forecast (without the inclusion of General Components products due to short lead time of the products) of not less than HK$300 million up to December 2017; and (iii) there was a year to year increase of approximately 43.7% and 51.8% in our revenue for FY2014, FY2015 and FY2016 respectively and our Group's revenue of approximately HK$1,974.2 million for FP2017, our Directors are of the view that there will be sufficient demand to support our expansion plan.

If the final Offer Price is set at the high end or the low end of the indicative Offer Price range, the net proceeds of the Global Offering will increase or decrease by approximately HKD22,500,000, respectively.

Any sum raised above the mid-point Offer Price (but within the range) will be applied for the above purposes in the same proportions set out above. If the sum raised is below the mid-point Offer Price (but within the range), we intend to deploy the lower amount of net proceeds for the above purposes in the same proportions. To the extent that the net proceeds of the Global Offering are not needed immediately applied for the above purposes, we intend to deposit such net proceeds into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

The allocation of the net proceeds described above is our Group's current plan and the actual number and time of hiring and the amount for other expenditures may change due to our business scale, availability of office space and market conditions. In the event of any material change in our use of net proceeds of the Global Offering from the purposes described above or in our allocation of the net proceeds among the purposes described above, a formal announcement will be made.

Commission and expenses

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 4% of the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer (excluding any International Placing Shares reallocated to the Hong Kong Public Offer and any Hong Kong Offer Shares reallocated to the International Placing), out of which the Hong Kong Underwriters will pay all sub-underwriting commission, if any. The International Underwriter(s) is/are expected to receive an underwriting commission on the aggregate Offer Price payable for the International Placing Shares initially offered under the International Placing. The Sponsor will receive a sponsorship, financial advisory and documentation fee of HKD6.8 million in relation to the Listing and will be reimbursed for their expenses. Such commission, advisory and documentation fees and expenses, together with the Main Board listing fees (as prescribed in the Main Board Listing Rules), legal and other professional fees, and printing and other expenses relating to the

Listing (as negotiated and agreed between each service provider and out Company on an arm's length basis), which are estimated to amount in aggregate to approximately HKD42.2 million and are to be borne by our Company.

Basis and assumption

The implementation plan formulated by our Directors is based on the following general assumptions:

- there will be no change to the Stock Exchange publication requirements in relation to, among others, financial reports, announcements, shareholder circulars, debt offering circulars and IPO prospectuses, as at the Latest Practicable Date;
- there will be no material change in the business development requirements during the period resulting from changes in the legal, fiscal or economic conditions in Hong Kong;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no disasters, natural, political or otherwise, which would materially disrupt our business or operations or cause substantial loss, damage or destruction to its properties or facilities;
- there will be no material changes in the bases or rates of taxation applicable to our activities;
- we are able to maintain its existing customers and expand its customer portfolio as planned;
- the Global Offering will be completed in accordance with the terms as described in the section headed "Structure and conditions of the Global Offering" of this prospectus;
- there will be no material differences between the actual capital requirements for implementing the above plans and the amounts estimated by us;
- we will be able to retain our key staff in our management team as well as our professional staff;
- we will be able to recruit suitable staff for our expansion when and if necessary;
- we will not be materially affected by any risk factors set out in the section headed "Risk factors" in this prospectus; and
- we continue our existing operations in substantially the same manner as they were carried out during the Track Record Period and we will also be able to carry out our development plans without material disruptions.

Reasons for the Listing

While expecting to implement our business strategies according to our future plans as detailed above with the net proceeds of the Global Offering, our Directors are of the view that Listing is going to bring the following advantages to our Group:

Access to additional financing sources

Listing can provide access for our Group to additional access of equity funding by means of the issuance of new Shares such as rights issue and open offer. Despite the cost of equity funding by way of the Global Offering after taking into account the significant listing expenses might not be lower than debt financing, our Directors considered that the Global Offering will broaden our Group capital base and provide a platform for our Group to raise fund, on a recurring basis which is not limited to the amount of net proceeds to be raised in the Global Offering, to finance our future business expansion and long-term development.

During Track Record Period, our Group from time to time experienced potential operating cash flow mismatch from (i) the payments for the procurement of inventories, (ii) potential mismatch of trade receivable and trade payable turnover days, as detailed under section headed "Financial Information – Trade payables – Potential mismatch of trade receivable turnover days and trade payable turnover days" in this prospectus. As at 31 December 2017, our Group had unutilised banking facilities of approximately HKD 558.9 million. Our Directors are of the view that our Group had been fulfilling the working capital needs through a combination of cash inflow generated from our operating activities with the backing of our borrowings, as detailed under the section headed "Financial Information – Indebtedness" in this prospectus should there be any unexpected financial needs and liquidity issues. Our Directors are of the view that equity financing is a more feasible fund raising method than debt financing to finance the long term future plans of our Group because financial institutions might request a significant amount of deposits, securities and properties to be pledged as a condition for obtaining the financing. We may be subject to various covenants contained in relevant debt instruments that may restrict us from obtaining additional financing, conducting our business activities and distributing dividends.

In general, interest expenses will be incurred when our Group pursues debt financing exercise which will affect our financial performance. Our Directors are of the view that the use of equity financing to finance our long term expansion plan would be a better alternative than debt financing as our liquidity risk and gearing level will be inevitably increased if our equity base is not increased simultaneously to support our debt level. Despite the current low interest rate environment, there is no assurance that the low interest rate environment will be prolonged, our Directors believe that our Group's financial performance and liquidity may be negatively affected if there be any increase of our Group's principal and interest payments. Also, as debt financing may prevent us from obtaining more favourable credit term and credit limit from our suppliers, debt financing is not an ideal in the long run.

Our Group may expose to increasing borrowing costs in the future if our Group proceeds with debt financing to fund our Group's long term future plans. As we have already pledged our self-owned properties for long-term financing (in forms of long-term bank installment loans, which contain a repayment on demand clause and, hence, classified as current liabilities), if we obtain additional amount of short term financing in preparation to our long term expansion plan, the cost of which might adversely affect our liquidity and worsen our liquidity mismatch, which in turn limits our flexibility to cope with the ever changing market condition.

While our Group inevitably relies heavily on short-term borrowings to finance the required working capital in response to the growth in our business operations, rather than a short term lift, Listing allows our Group to gain access to equity financing in funding our future plans in the long term which could partially ease the associated pressure on our cash flow and liquidity position on a long term basis.

Enhance corporate profile and recognition

We believe that a public listing status would assist us in reinforcing our image, and place confidence in enhancing the confidence of stakeholders in the industry including brand name Upstream Manufacturers and Downstream Manufacturers who are more willing to establish business relationship with listed companies. We will obtain benefits from the perception of outsiders in respect of good corporate governance and internal control, and generate reassurance among our existing business partners, customers and suppliers, and strengthen our competitiveness in the market. Listing can increase corporate transparency of our Group to gain recognition from stakeholders. Our Directors are of the view that our Group may be able to negotiate more favourable terms from our suppliers, such as longer credit terms and higher credit limit, after the Listing due to the enhanced confidence and transparency on our Group's financial and operational information as a listed company of the Stock Exchange. Our Directors consider the increase in our bargaining power for more favourable terms from our stakeholders would help us to maintain a healthier financial position by reducing the gap of liquidity mismatch and lower the reliance on our indebtedness, eventually resulting in an improvement in our gearing and liquidity ratio on a long term basis, for other measures in managing our liquidity risk, refer to "Business – liquidity management" of this prospectus. Our Directors believe that such improvement would allow us to obtain a more favourable credit period and credit limit from our existing or new suppliers and as a result, strengthen our financial resources to improve our cashflow mismatch between payment to suppliers and payment from our customers so as to reduce our reliance on bank borrowings and lead us to a healthier financial position. In the event that obtaining banking facilities such as factoring loan is necessary, the Directors are of the view that we may also benefit from having a listing status, as we may be able to negotiate better financing terms such as lower interest rate, which would eventually reduce our finance burden. Further, it would also enhance the confidence of stakeholders in the industry including brand name Upstream Manufacturers towards our financials and further strengthen our ability to obtain Authorised Distributor status from other brand name Upstream Manufacturers, particularly those of larger size, so as to enable us to broaden our product portfolio and enlarge our market share in the industry.

Increase public awareness and public interest in our Group and the services provided by us

As set out in the section headed "Industry Overview" in the prospectus, it is costly to build an engineering team to provide research and development and technological support. In order to provide better services to downstream customers, distributors are expected to propose a series of electronic components device application solutions, which needs capital investment in research and development. To capture the growth opportunities, our Directors consider that it is necessary to increase our Group's capacity and operation efficiency by implementing our future plans which include recruiting additional professional staff and improving our capacities by investing in new product development. Listing will also enhance the corporate image of our Group and attract and retain more experienced engineers to join our Group in preparation of the growing demand in the market. The functions of the additional professional staff to be recruited, which are able to assist our Group in increasing capacity, are set out in the paragraph headed "Use of Proceeds" in this section.

Our Directors consider that Listing is an effective way to make our value, capability and service known to the public and help our Group to reach the potential market of the industry. The Listing status may also help our Group to negotiate for more favourable terms with its potential customers.

Strengthen our supplier network

According to Frost and Sullivan Report, the upstream market of different types of integrated circuits is very concentrated, and distributors source products from a limited number of suppliers. The heavy reliance of distributor on major Upstream Manufacturers are in place by nature. To survive and succeed in the increasingly competitive electronic components distribution market, and to meet the fast-changing demand from downstream customers on a timely basis, distributors are required to maintain the relationship with Upstream Manufacturers that produce good-quality and advanced components. Such Upstream Manufacturers normally have stringent criteria to select Authorised Distributors in China. For example, technical competence and quality control are key points as they are closely related to the reputation of suppliers. Other selecting criteria include distributors' geographic coverage of business, historical success in distributing similar products, and operating performance in the market etc. Normally Upstream Manufacturers do not grant exclusive distribution rights to particular distributor for the purpose of controlling risks and reaching more customers. An enhanced corporate profile is beneficial for us to apply for Authorised Distributor status from brand name Upstream Manufacturers of larger size. Also, distributor like our Group, of good relationship with brand name Upstream manufacturers are more advantageous in product sourcing. Listing is an effective way to improve our bargaining power.

Liquidity of Shares trading

We believe that the Listing provides liquidity to and create a market for the trading of the Shares. The highly liquid Hong Kong stock market allows us to expand and diversify our capital base and shareholders base as institutional funds and retail investors in Hong Kong can participate in the equity of our Company, through which the true value of our Group can also be reflected.

HONG KONG UNDERWRITERS

Ample Orient Capital Limited
Wealth Link Securities Limited
AFG Securities Limited

UNDERWRITING ARRANGEMENTS

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering 25,000,000 Shares for subscription by the public in Hong Kong under the Hong Kong Public Offer and subject to the terms and conditions in the Hong Kong Underwriting Agreement, this prospectus and the Application Forms.

Subject to, among other conditions, (i) the Listing Committee granting or agreeing to grant the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and such listing and permission not subsequently being revoked; and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement being satisfied or waived on or before the 30th day after the date of this prospectus (or such later date as our Company and the Hong Kong Underwriters may agree), and provided that the Hong Kong Underwriters does not exercise its right to terminate the Hong Kong Underwriter Agreement (see paragraph headed "Grounds for termination" below), the Hong Kong Underwriters have agreed to subscribe or procure subscribers for (as the case may be) all the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming and remaining unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the International Placing Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

(i) there has been a breach of any of the representations, warranties, undertakings or provisions of either the International Underwriting Agreement or the Hong Kong Underwriting Agreement by any of our Company, the executive Directors and the Controlling Shareholders (collectively the "**Warrantors**"); or

(ii) any statement contained in the web proof information pack, this prospectus, the Application Forms or the formal notice or any announcements in the agreed form issued by our Company in connection with the Global Offering (including any supplement or amendment thereto) was, has or may become untrue, incorrect or misleading in any material respect, or any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms or the formal notice are not, in all material respects, fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

(iii) any event, act or omission which gives or is likely to give rise to any liability of any of the Warrantors pursuant to the indemnities given by them under the International Underwriting Agreement or the Hong Kong Underwriting Agreement, as applicable; or

(iv) any breach of any of the obligations of any of the Warrantors under the International Underwriting Agreement or the Hong Kong Underwriting Agreement, as applicable; or

(v) any of the parties listed in the paragraph headed "E. Other Information – 8. Qualifications of experts" in Appendix VI to this prospectus has withdrawn its/his respective consent to the issue of this prospectus with the inclusion of its/his reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its/his name included in the form and context in which it respectively appears; or

(vi) approval in principle from the Stock Exchange granting the listing of, and permission to deal in, the Offer Shares, including any additional Shares issued pursuant to the exercise of the Over-allotment Option, the Shares in issue and any Shares which may be issued upon the Capitalisation Issue and upon the exercise of any options which may be granted under the Share Option Scheme, is refused or not granted, on or before the listing approval date, or if granted, the approval is subsequently withdrawn, qualified or withheld; or

(vii) our Company withdraws any of this prospectus, the Application Forms or the listing application in respect of the Global Offering; or

(viii) save as disclosed in this prospectus, any material potential litigation, legal proceeding, legal reaction, claim or dispute being threatened or instigated against any member of our Group or any Director, any of the chairman or chief executive officer of our Company vacating his office, any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political, regulatory or judicial body of any action against any member of our Group or any Director or an announcement by any governmental, political or regulatory body that it intends to take any such action; or

(ix) any of the representations, warranties and undertakings given by the Warrantors under the International Underwriting Agreement or the Hong Kong Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect or misleading in any respect; or

(x) there have developed, occurred, happened or come into effect any change or development or any event or series of events, matters or circumstances resulting in or representing a change or development, concerning or relating to: or

(xi) any local, national, regional or international financial, political, economic, legal, military, industrial, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and interbank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollars or the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, the British Virgin Islands or the Cayman Islands or any other jurisdictions where any member of our Group is incorporated (each a "**Relevant Jurisdiction**"); or

(xii) any new law or regulation or any change in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any other Relevant Jurisdiction; or

(xiii) any condition of the financial markets in any Relevant Jurisdiction or generally in the international equity securities or other financial markets; or

(xiv) (A) any event or series of events in the nature of force majeure (including, without limitation, acts of government, economic sanctions, strikes or lockouts (whether or not covered by insurance), riots, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, outbreak of infectious disease or epidemics, including, but not limited to, Severe Acute Respiratory Syndrome and H1N1 or swine or avian influenza or such related/mutated forms of accident or interruption or delay in transportation), or (B) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other declaration of a national or international state of emergency or calamity or crisis, in the case of either (A) or (B), in or affecting any Relevant Jurisdiction; or

(xv) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange the New York Stock Exchange, the NASDAQ Global Market, the Tokyo Stock Exchange, the London Stock Exchange or any PRC stock markets; or (B) a general moratorium on commercial banking activities in any Relevant Jurisdiction, declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, in the case of either (A) or (B), in or affecting any Relevant Jurisdiction; or

(xvi) any taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction adversely affecting an investment in the Shares; or

(xvii) any litigation or claim being threatened or instigated against any member of our Group or any Director, any of the chairman or chief executive officer of our Company vacating his office, any executive Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political, regulatory body of any action against any executive Director in his or her capacity as such or an announcement by any governmental, political, regulatory body that it intends to take any such action; or

(xviii) any contravention by any member of our Group of the Companies Ordinance, the Companies (Miscellaneous) Ordinance, the Companies Law, any of the Listing Rules or any applicable law or regulation; or

(xix) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares (including the additional Shares that may be allotted and issued by our Company upon the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xx) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or

(xxi) the issue or requirement to issue by our Company of a supplementary prospectus or Application Forms, pursuant to the Companies Ordinance, the Companies (Miscellaneous) Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the opinion of the Sole Global Coordinator, materially adverse to the marketing for or implementation of the Global Offering; or

(xxii) any materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or

(xxiii) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(xxiv) any of the business, assets, liabilities, conditions, business affairs, prospects, profits, losses or the financial or trading position or performance or management of our Company or any member of our Group; or

(xxv) any matter that has arisen or has been discovered which would, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitute an omission therefrom;

and which, with respect to any of sub-paragraphs (i) through (xv) above, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

- is, will be or may have a material adverse effect or any development involving a prospective material adverse effect, in or affecting the business, general affairs, management, prospects, assets and liabilities, financial position (including, but not limited to, revenue and net profits), shareholders' equity or results of operations of our Group as a whole or be materially adverse to any present or prospective shareholder of our Company in its capacity as such; or

- has, will have or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or make it impracticable, inadvisable or inexpedient for any material part of the International Underwriting Agreement, the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented as envisaged; or

- makes or may make it impracticable, inadvisable or inexpedient to proceed with or to market the International Placing and/or the Hong Kong Public Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms or the formal notice in connection with the Global Offering; or

- would have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings to the Hong Kong Underwriters

Undertakings by our Company

Except as permissible under Rule 10.08 of the Listing Rules, or except for the issue of Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the exercise of any options which may be granted under the Share Option Scheme, or the grant of options under the Share Option Scheme, or as otherwise with the prior written consent of the sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time within the period commencing on the date of this prospectus and ending on the date falling six months after the Listing Date (the "**First Six-Month Period**"), our Company has, pursuant to the Underwriting Agreements, undertaken to the Underwriters that our Company will not, and will procure that its subsidiaries will not:

(a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, warrants or other rights to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of our Company's share capital or debt capital or any securities of our Company or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); 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 share capital, debt capital or other securities of our Company or any interest therein; or

(c) enter into any transaction with the same economic effect as any transaction described in paragraph (a) or (b) above; or

(d) agree or contract to, or publicly announce any intention to enter into any transaction described in paragraph (a), (b) or (c) above,

whether any of the foregoing transactions described in paragraph (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise; and

(e) our Company will ensure that if any of the transactions in paragraph (a), (b) or (c) above is entered into or agreed to be entered into 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 other securities of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken jointly and severally to each of our Company and the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters that:

(i) at any time 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 Underwriters and unless pursuant to the Share Option Scheme or otherwise in compliance with the requirements of the Listing Rules, (a) offer, accept subscription for, sell, pledge, mortgage, charge, 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, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, any of the share capital of our Company or any securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or interest therein) which are disclosed in the prospectus to be beneficially owned 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 (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; or (c) enter or agree to enter into, conditionally or unconditionally, or effect any of the transaction with the same economic effect as any transaction referred to in (a) or (b) above; or (d) agree, or contract to, or publicly announce any intention to enter into or effect any of the transaction referred to in (a), (b) or (c) above;

whether any of the foregoing transactions described in paragraph (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise; and

(ii) at any time during the Second Six-Month Period, 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 Underwriters and unless pursuant to the Share Option Scheme or otherwise in compliance with the Listing Rules, enter into any of the foregoing transactions in paragraph (i) above in respect of the Relevant Securities or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be, or regarded as, controlling shareholders (as defined in the Listing Rules) of our Company;

(iii) at any time before the expiry of the Second Six-Month Period, in the event that he/it enters into any transaction referred to in paragraph (i) above or agrees or contracts to or publicly announces an intention to enter into such transactions, he/it shall take all reasonable steps to ensure that such action shall not create a disorderly or false market for any Shares or other securities of our Company; and

(iv) he/it shall, and shall procure that his/its associates and companies controlled by him/it and nominees or trustees holding in trust for him/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it of any Relevant Securities.

Each of our Controlling Shareholders has further undertaken jointly and severally to each of our Company, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters that during the first twelve months from the Listing Date, he/it will:

(1) when he/it pledges or charges any Relevant Securities in respect of which he/it is the beneficial owner in favour of an authorized institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company and the Underwriters in writing of such pledges or charges together with the number of Shares or other securities of our Company and nature of interest so pledged or charged; and

(2) when he/it receives any indication, whether verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Underwriters in writing of such indications.

UNDERWRITERS INTEREST IN OUR GROUP

As at the Latest Practicable Date, save as provided for under the Underwriting Agreements, none of the Underwriters has any shareholding interests in any member of our Group nor has any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

RULE 10.07 UNDERTAKING BY CONTROLLING SHAREHOLDERS

(i) Undertaking by Best Sheen

Pursuant to Rule 10.07(1) of the Listing Rules, Best Sheen has undertaken to the Stock Exchange and our Company respectively that, it shall not:

(a) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it is shown by this prospectus to be the beneficial owner; or

(b) in the period of six months commencing from the expiry of the period referred to in paragraph (a) above, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company,

in each case, save as permitted under the Listing Rules.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, Best Sheen has also undertaken to the Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it shall:

(1) when it pledges or charges any of the securities of our Company beneficially owned by it in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of securities so pledged or charged; and

(2) when it receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform our Company of such indications.

(ii) Undertaking by Mr. Lee

Pursuant to Rule 10.07(1) of the Listing Rules, Mr. Lee has undertaken to the Stock Exchange and our Company respectively that, he shall not and shall procure that the relevant registered shareholder(s) and/or companies controlled by him shall not:

(a) in the period commencing on the date by reference to which disclosure of his shareholding or the shareholding of companies controlled by him in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which he is or companies controlled by him are shown by this prospectus to be the beneficial owner(s); or

(b) in the period of six months commencing from the expiry of the period referred to in paragraph (a) above, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he would, whether on his own or together with companies controlled by him, cease to be a controlling shareholder (as defined in the Listing Rules) of our Company,

in each case, save as permitted under the Listing Rules.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, Mr. Wong has also undertaken to the Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of his shareholding or the shareholding of companies controlled by him in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he shall and shall procure that the relevant registered holder(s) and/or companies controlled by him shall:

(1) when he or companies controlled by him pledges or charges any of the securities of the Company beneficially owned by him or companies controlled by him in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of securities so pledged or charged; and

(2) when he or companies controlled by him receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as it has been informed of any of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of an announcement in accordance with Rule 2.07C of the Listing Rules.

SPONSOR'S INTEREST IN OUR GROUP

The Sponsor, being our Company's compliance adviser pursuant to Rule 3A.19 of the Listing Rules, will also receive a financial advisory fee from our Company during the term of its appointment as the compliance adviser of our Company.

Save for (i) the advisory and documentation fees to be paid to Ample Capital as the Sponsor; and (ii) the financial advisory fee to be paid to Ample Capital as our Company's compliance adviser appointed pursuant to Rules 3A.19 of the Listing Rules, neither Ample Capital nor any of its associates has or may have, as a result of the Global Offering, any interest in any class of securities in our Company or any of its subsidiaries (including options or rights to subscribe for such securities).

No director or employee of Ample Capital who is involved in providing advice to our Company has or may have, as a result of the Global Offering, any interest in any class of securities of our Company or any of its subsidiaries (including options or rights to subscribe for such securities that may be subscribed for or purchased by any such director or employee pursuant to the Global Offering).

No director or employee of Ample Capital has a directorship in our Company or any of its subsidiaries.

Ample Capital satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE INTERNATIONAL PLACING

International Placing

In connection with the International Placing, we expect to enter into the International Underwriting Agreement on the Price Determination Date with, among others, the International Underwriter(s) on terms and conditions similar to the Hong Kong Underwriting Agreement. Under the International Underwriting Agreement, the International Underwriter(s) would, subject to certain conditions, severally and not jointly, agree to purchase the International Placing Shares or procure purchasers for the International Placing Shares initially being offered pursuant to the International Placing. For details, please refer to the section headed "Structure and Conditions of the Global Offering – The International Placing" of this prospectus.

The International Placing Underwriting Agreement is conditional on and subject to, among other things, the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the International Placing Underwriting Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in the section headed "Undertakings" above in this section. It is also expected that upon entering into the Placing Underwriting Agreement, the Placing will be fully underwritten.

Under the International Underwriting Agreement, we intend to grant to the International Underwriter(s) the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Sole Global Coordinator for itself and on behalf of the other International Underwriter(s) from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offer to require us to issue and allot up to an aggregate of 37,500,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering and at the Offer Price, to cover, among other things, any over-allocations in the International Placing, if any.

TOTAL COMMISSION AND EXPENSES

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 4% of the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer (excluding any International Placing Shares reallocated to the Hong Kong Public Offer and any Hong Kong Offer Shares reallocated to the International Placing), out of which the Hong Kong Underwriters will pay all sub-underwriting commission, if any. The International Underwriter(s) is/are expected to receive an underwriting commission on the aggregate Offer Price payable for the International Placing Shares initially offered under the International Placing.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HKD0.49 (being the mid-point of the stated range of the Offer Price between HKD0.40 and HKD0.58), the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to approximately HKD4.7 million in total and are payable by us.

INDEMNITY

We have undertaken to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Sole Global Coordinator, the Sponsor and the Hong Kong Underwriters (for itself and on trust for its directors, officers, employees, agents, assignees and affiliates) from and against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

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 authorized or to any person to whom it is unlawful to make such an offer or invitation.

THE GLOBAL OFFERING

.The Global Offering comprises (assuming the Over-Allotment Option is not exercised):

(a) the Hong Kong Public Offer of 25,000,000 Hong Kong Offer Shares (subject to adjustment as mentioned below), representing 10% of the Offer Shares initially available under the Global Offering for subscription in Hong Kong as described below under the paragraph headed "The Hong Kong Public Offer" in this section of the prospectus; and

(b) the International Placing of an initial 225,000,000 International Placing Shares, subject to adjustment and the Over-allotment Option as mentioned below, outside the U.S. (including to professional, institutional and other investors within Hong Kong) in offshore transactions in reliance on Regulation S or pursuant to another exemption from the registration requirements under the U.S. Securities Act.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offer or apply for or indicate an interest for International Placing Shares under the International Placing, but cannot do both. Our Directors and the Sole Global Coordinator will take all reasonable steps to identify any multiple applications under the Hong Kong Public Offer and the International Placing which are not allowed and are bound to be rejected. The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to professional and institutional investors in Hong Kong. The International Placing will involve selective marketing of Offer Shares to professional, institutional and other investors in Hong Kong and other jurisdictions outside the U.S. in reliance on Regulation S. The International Underwriter(s) is/are soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Shares to be offered under the Hong Kong Public Offer and the International Placing may be subject to reallocation as described in the paragraph headed "Pricing and Allocation" below.

References in this prospectus to applications, Application Forms, application monies or the procedure for application refer solely to the Hong Kong Public Offer.

PRICING AND ALLOCATION

Pricing

The Offer Price is expected to be fixed by an agreement between us and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or before Monday, 12 March 2018 and in any event no later than 5:00 p.m. on Tuesday, 13 March

2018. If for any reason, we and the Sole Global Coordinator (for itself and on behalf of the other Underwriters) are unable to reach agreement on the Offer Price, the Global Offering will not proceed.

The Offer Price will be not more than HKD0.58 per Offer Share and is expected to be not less than HKD0.40 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, as explained below.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

Reduction in Offer Price Range and/or Number of Offer Shares

If, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, the Sole Global Coordinator (for itself and on behalf of the other Underwriters), with our consent, considers it appropriate, the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may be reduced below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer.

In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, expected to be on Monday, 5 March 2018, cause to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.apexace.com** notice(s) of the reduction in the number of Offer Shares and/or the indicative offer price range. Such notice(s) will also include confirmation or revision, as appropriate, of the working capital statement, the offering statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction(s). Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer.

Upon the issuance of such notice, the revised number of Offer Shares and/or the revised offer price range will be final and conclusive. The Offer Price, if agreed upon, will be fixed within such revised offer price range. In the absence of any notice of a reduction in the indicative offer price range and/or the number of Offer Shares stated in this prospectus being published on or before the last day for lodging applications under the Hong Kong Public Offer, the Offer Price, if agreed upon, will under no circumstances be set outside the offer price range stated in this prospectus, and the number of Offer Shares will under no circumstances be fewer than the number stated in this prospectus. Applicants under the Hong Kong Public Offer should note that applications cannot be withdrawn once they are submitted, unless the number of Offer Shares and/or the Offer Price is/are reduced.

Allocation

The Offer Shares to be offered in the Hong Kong Public Offer and the International Placing may, in certain circumstances, be reallocated as between these offering at the discretion of the Sole Global Coordinator.

Allocation of our Offer Shares pursuant to the International Placing will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

In addition, the Sole Global Coordinator may reallocate Offer Shares from the International Placing to the Hong Kong Public Offer to satisfy valid applications under the Hong Kong Public Offer. In accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offer following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offer (i.e. 50,000,000 Offer Shares).

Allocation of Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants, although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number or Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The net proceeds from the Global Offering accruing to us are estimated to be approximately HKD117.6 million, assuming an Offer Price of HKD0.49 per Offer Share (being the mid-point of the stated offer price range of HKD0.40 to HKD0.58 per Offer Share) and after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, assuming that the Over-allotment Option is not exercised.

Announcement of Offer Price and Basis of Allocations

The Final Offer Price under the Global Offering, the level of indications of interest in the International Placing, and the level of applications in the Hong Kong Public Offer and the basis of allocations of the Hong Kong Offer Shares are expected to be published on Thursday, 15 March 2018, on the Company's website (www.apexace.com) and on the Stock Exchange's website (www.hkexnews.hk) and in a variety of channels in the manner described in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. You should note that our website, and all information contained in our website, does not form part of this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFER

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offer will be conditional on:

(i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including an additional 37,500,000 Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option), and such listing and permission not subsequently having been revoked prior to commencement of dealing in the Shares on the Stock Exchange;

(ii) the Offer Price having been duly determined between us and the Sole Global Coordinator (for itself and on behalf of the other Underwriters), and the execution and delivery of the Price Determination Agreement on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator (for itself and on behalf of the other Underwriters)) and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If for any reason the Offer Price is not agreed by 5:00 p.m. on Tuesday, 13 March 2018 between us and the Sole Global Coordinator (for itself and on behalf of the other Underwriters), the Global Offering will not proceed. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offer to be published on the Company's website (www.apexace.com) and the Stock Exchange's website (www.hkexnews.hk) on the next day following such lapse. In such eventuality, all application monies will be returned to the applicants, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on Thursday, 15 March 2018 but will only become valid certificates of title at 8:00 a.m. on Friday, 16 March 2018, the date of commencement of dealings in the Shares, provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

THE HONG KONG PUBLIC OFFER

We are initially offering 25,000,000 Hong Kong Offer Shares at the Offer Price, representing 10% of the 250,000,000 Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offer will represent 2.5% of our total issued share capital immediately after completion of the Capitalisation Issue and Global Offering, assuming that the Over-allotment Option is not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offer, and such individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Offer Shares in the International Placing will not be allotted Offer Shares in the International Placing.

Applications

Each applicant under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it, that he/she/it and any person(s) for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached or untrue.

Our Company, our Directors and the Sponsor and the Sole Global Coordinator will take reasonable steps to identify and reject applications under the Hong Kong Public Offer from investors who have received Offer Shares in the International Placing and to identify and reject indications of interest in the International Placing from investors who have received Offer Shares in the Hong Kong Public Offer.

The Sole Global Coordinator, for itself and on behalf of the other Underwriters, may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offer, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that he or she is excluded from any application for Shares under the Hong Kong Public Offer.

The Offer Price will be not more than HKD0.58 per Offer Share and is expected to be not less than HKD0.40 per Offer Share. Applicants under the Hong Kong Public Offer are required to pay, on application, the maximum Offer Price of HKD0.58 on each Hong Kong Offer Share plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee on each Hong Kong Offer Share. If the Offer Price, as finally determined on the Price Determination Date, is lower than HKD0.58 per Offer Share, being the maximum Offer Price, we will refund the respective difference (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offer.

Allocation

The total number of Offer Shares available for subscription under the Hong Kong Public Offer (after taking into account any reallocation and clawback referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B (subject to adjustment of odd lot size). The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HKD5 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HKD5 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) and up to the value of pool B. For this purpose, the "subscription price" for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. When there is over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offer, in relation to both pool A and pool B, will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares. Multiple or suspected multiple applications within either pool or between pools and any application for more than 12,500,000 Hong Kong Offer Shares, being 50% of the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offer, will be rejected.

Reallocation and Clawback

The allocation of Offer Shares between the Hong Kong Public Offer and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for in the Hong Kong 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 for subscription under the Hong Kong Public Offer, the total number of Offer Shares available under the Hong Kong Public Offer will be increased to 75,000,000, 100,000,000 and 125,000,000 Offer Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated in the International Placing will be correspondingly reduced, in such manner as the Sole Global Coordinator deem appropriate, and such additional Shares will be allocated to pool A and pool B.

In addition, the Sole Global Coordinator may reallocate Offer Shares from the International Placing to the Hong Kong Public Offer to satisfy valid applications under the Hong Kong Public Offer. In accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offer following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offer (i.e. 50,000,000 Offer Shares).

If the Hong Kong Public Offer is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing in such proportions as the Sole Global Coordinator deems appropriate.

THE INTERNATIONAL PLACING

The International Placing will consist of initially 225,000,000 Shares and is subject to adjustment and the Over-allotment Option, to be offered outside the United States (within the meaning of Regulation S under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act, including to professional, institutional and other investors in Hong Kong. The International Placing will be subject to, among other matters, the Hong Kong Public Offer becoming unconditional.

Pursuant to the International Placing, the International Underwriter(s) will conditionally place our Shares with professional, institutional and other investors in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and Allocation" above and based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to buy further Shares, and/ or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional Shareholder base to the benefit of our Company and our Shareholders as a whole.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, we expect to grant the Over-allotment Option to the International Underwriter(s), exercisable by the Sole Global Coordinator for itself and on behalf of the other International Underwriter(s).

Pursuant to the Over-Allotment Option, the Sole Global Coordinator have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offer, to require us to issue and allot up to an aggregate of 37,500,000 additional Offer Shares (representing 15% of the Offer Shares initially available under the Global Offering), at the same price per Offer Share under the International Placing to cover over-allocations in the International Placing, if any. If the Over-Allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of our enlarged issued share capital immediately following the completion of the Global Offering, the Capitalisation Issue and the exercise of the Over-Allotment Option. In the event that the Over-Allotment Option is exercised, an announcement will be made.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow, whether on its own or through any person acting for it, up to 37,500,000 Shares (being the maximum number of Shares which may be issued or sold upon exercise of the Over-allotment Option) from Best Sheen pursuant to the Stock Borrowing Agreement, and/or acquire Shares from other sources, including the exercise of the Over-allotment Option.

If such stock borrowing arrangement with Best Sheen is entered into, it will only be effected by the Stabilising Manager or any person acting for it for settlement of over-allocation in the International Placing and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with. The same number of Shares so borrowed must be returned to Best Sheen or its nominees, as the case may be, on or before the third Business Day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the day on which the Over-allotment Option is exercised in full, or (iii) such earlier time as may be agreed in writing between the Stabilising Manager and Best Sheen. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Best Sheen by the Stabilising Manager or any person acting for it in relation to such stock borrowing arrangement.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimise, and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilising Manager or any person acting for it, on behalf of the other International Underwriter(s), may, to the extent permitted by applicable laws in Hong Kong, over-allocate and/or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing on the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer. The stabilising action which may be taken by the Stabilising Manager or any person acting for it may include primary and ancillary stabilising actions such as purchasing or agreeing to purchase any of the Offer Shares, exercising the Over-allotment Option, stock borrowing, establishing a short position in the Shares, liquidating long positions in the Shares or offering or attempting to do any such actions. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity. Any such stabilising activities will be effected in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilising) Rules. Such stabilisation, if commenced, will be conducted at the sole and absolute discretion of the Stabilising Manager or any person acting for it, and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares which may be issued or sold upon exercise of the Over-allotment Option, being 37,500,000 Shares, which is 15% of our Offer Shares initially available under the Global Offering and before the exercise of the Over-allotment Option.

The Stabilising Manager or any person acting for it, may take all or any of the following stabilising actions in Hong Kong during the stabilisation period:

(a) purchase, or agree to purchase, any of our Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of our Shares; and/or

(b) in connection with any action described in paragraph (a) above:

(i) (A) over-allocate our Shares; or

(B) sell or agree to sell our Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of our Shares;

(ii) exercise the Over-allotment Option so as to purchase or subscribe for or agree to purchase or subscribe for our Shares in order to close out any position established under paragraph (i) above;

(iii) sell or agree to sell any of our Shares acquired by it in the course of the stabilising action referred to in paragraph (a) above in order to liquidate any position that has been established by such action; and/or

(iv) offer or attempt to do anything as described in paragraph (b)(i)(B), (b)(ii) or (b)(iii) above.

The Stabilising Manager or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares, and there is no certainty as to the extent to which or the time period for which it or any person acting for it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilising Manager or any person acting for it, which may have an adverse impact on the market price of our Shares.

Stabilisation cannot be used to support the price of our Shares for longer than the stabilisation period, which begins on the day on which dealings in our Shares commence on the Stock Exchange and ends on the last trading day before the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer which will be Wednesday, 4 April 2018. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore their market price, could fall. Our Company will ensure or procure that a public announcement will be made within seven days after the end of the stabilising period in compliance with the Securities and Futures (Price Stabilising) Rules.

Any stabilising action taken by the Stabilising Manager or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilisation period. Stabilisation bids or market purchases effected in the course of the stabilising action may be made at any price at or below the Offer Price and can therefore be done at a price below the price investors have paid in acquiring our Shares.

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to an aggregate of 37,500,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Sole Global Coordinator for itself and on behalf of the other International Underwriter(s), or by making purchases in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

In particular, for the purpose of settlement of over-allocations in connection with the International Placing, the Stabilising Manager may borrow up to 37,500,000 Shares, under the stock borrowing arrangement. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payments or other benefit will be made to Best Sheen by the Sole Global Coordinator in relation to the stock borrowing arrangement.

DEALING ARRANGEMENTS

Assuming that the Global Offering becomes unconditional at or before 8:00 a.m. (Hong Kong time) on Friday, 16 March 2018, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 16 March 2018. Our Shares will be traded in board lots of 5,000 Shares each. The stock code of the Shares is 6036.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Global Coordinator (for itself and on behalf of the other Underwriters) and us on the Price Determination Date.

We expect that we will, on or around the Price Determination Date, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Placing.

The underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed “Underwriting” in this prospectus.

1. HOW TO APPLY

If you apply for the Hong Kong Offer Shares, then you may not apply for or indicate an interest for the International Placing Shares.

To apply for the Hong Kong Offer Shares, you may:

- use a **WHITE** 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.

Our Company, the Sole Global Coordinator and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a 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 (except qualified domestic institutional investors).

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 authorized officer, who must state his representative capacity, and stamped with your corporation's chop (bearing the corporation name).

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept or reject it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any our subsidiaries;
- are a Director or chief executive officer of our Company and/or any of our subsidiaries;

- are an associate (as defined in the Listing Rules) of any of the above;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which application channel to use

For the Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the prospectus and Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. from Wednesday, 28 February 2018 until 12:00 noon on Monday, 5 March 2018 from:

(i) any of the office of the following Hong Kong Underwriters:

Ample Orient Capital Limited
Room A, 17/F, Fortune House
61 Connaught Road Central, Central
Hong Kong

Wealth Link Securities Limited
Unit B1, 5/F
Guangdong Investment Tower
148 Connaught Road Central
Hong Kong

AFG Securities Limited
Room B, 17/F, Fortune House
61 Connaught Road Central, Central
Hong Kong

(ii) any of the following branches of DBS Bank (Hong Kong) Limited, the receiving bank for the Hong Kong Public Offer:

District	Branch Name	Address
Hong Kong Island	United Centre Branch	Shops 1015-1018 on 1/F & Shops 2032-2034 on 2/F, United Centre, 95 Queensway, Admiralty
	North Point Branch	G/F, 391 King's Road, North Point
Kowloon	Kowloon Bay – SME Banking Centre	Shop 6, G/F, Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay
	Yaumatei Branch	G/F & 1/F, 131-137 Woosung Street, Yaumatei
New Territories	Tuen Mun Town Plaza – SME Banking Centre	Shop 23, G/F, Tuen Mun Town Plaza (II), 3 Tuen Lung Street, Tuen Mun

You can collect a **YELLOW** Application Form and a 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** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Ting Hong Nominees Limited – Apex Ace Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the designated branches of the receiving bank listed above, at the following times:

- 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 "9. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among others, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Law, the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not 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 Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator, the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "Personal Collection" in this section of the prospectus to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company, the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

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 Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offers Shares under the International 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 authorized to give those instructions as their agent;

- confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents and any other parties involved in the Global Offering; for this prospectus under section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Hong Kong Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies Ordinance, the Companies (WUMP) Ordinance, and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) by crediting your designated bank account; and

- instructed and authorized 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 5,000 Hong Kong Offer Shares. Instructions for more than 5,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- 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 on 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 "9. Effect of bad weather on the opening of the application lists" in this section.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance).

Personal data

The section of the Application Form headed "Personal data" applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banker, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Sole Global Coordinator, the Joint Bookrunners the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 5 March 2018.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, 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 HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Hong Kong Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Hong Kong 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 5,000 Hong Kong Offer Shares. Each application or **electronic application instructions** in respect of more than 5,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure and conditions of the Global Offering".

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warming 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 any time 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

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Offer Shares on Thursday, 15 March 2018 on the Company's website at **www.apexace.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.apexace.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 the designated receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Global Offering" 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 HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (WUMP) Ordinance (as applied by section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or

- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) the Hong Kong Offer Shares and the International 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 does not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HKD0.58 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with "Structure and conditions of the Global Offering — Conditions of the Hong Kong Public Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared. Any refund of your application monies will be made on Thursday, 15 March 2018.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public 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 Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

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

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on 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 order(s).

Share certificates will only become valid certificate of title at 8:00 a.m. (Hong Kong time) on Friday, 16 March 2018 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal collection

(i) If you apply using a* WHITE *Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our 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 or such other date as announced by our Company as the date of collection/despatch of share certificates and refund cheques.

If you are an individual who is eligible for personal collection, you must not authorise any other person to make collection for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) 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) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) 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 Hong Kong Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) (where applicable) 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 Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- If you are applying as a CCASS investor participant

  Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in the paragraph "10. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 15 March 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply via* electronic application instructions *to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 15 March 2018, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allocation of the Hong Kong Offer Shares in the manner specified in the paragraph "10. Publication of Results" above on Thursday, 15 March 2018. You should check the announcement published by our 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 Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 15 March 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on 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 we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

事務所 會計師 陳浩賢
GRAHAM H. Y. CHAN & CO.
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)
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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF APEX ACE HOLDING LIMITED AND AMPLE CAPITAL LIMITED

Introduction

We report on the historical financial information of Apex Ace Holding Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages I-4 to I-57, which comprises the combined statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and 30 September 2017, the statements of financial position of the Company as at 31 December 2014, 2015 and 2016 and 30 September 2017, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 December 2014, 2015 and 2016 and the nine months ended 30 September 2017 (the "Relevant Periods"), 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-57 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 Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' 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 Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information 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 purpose of the accountants' report, a true and fair view of the financial position of the Group and of the Company as at 31 December 2014, 2015 and 2016 and 30 September 2017 and of the financial performance and cash flows of the Group for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the nine months ended 30 September 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 3 to the Historical Financial Information.

Report on matters under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

The Historical Financial Information is stated after making such adjustments to the Underlying Financial Statements as defined on page I-4 as were considered necessary.

Dividends

We refer to note 16 to the Historical Financial Information which contains information about the dividends paid by the Group in respect of the Relevant Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

Graham H.Y. Chan & Co.
Certified Public Accountants (Practising)
Hong Kong
28 February 2018

A. HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollar and all values are rounded to nearest thousand, unless otherwise stated.

Combined Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 December			Nine months ended 30 September	
	Section B Notes	**2014** *HK$'000*	**2015** *HK$'000*	**2016** *HK$'000*	**2016** *HK$'000* (Unaudited)	**2017** *HK$'000*
Revenue	9	780,387	1,121,206	1,702,322	1,120,930	1,974,225
Cost of sales		(744,459)	(1,067,488)	(1,608,030)	(1,064,769)	(1,877,002)
Gross profit		35,928	53,718	94,292	56,161	97,223
Other income	11	1,597	1,510	2,482	1,974	1,898
Increase in fair value of investment property		1,400	2,300	300	100	2,000
Distribution and selling expenses		(4,376)	(3,909)	(7,840)	(4,492)	(6,279)
Administrative expenses		(19,126)	(22,576)	(31,239)	(20,031)	(43,899)
Finance costs	12	(1,140)	(1,729)	(4,178)	(2,683)	(7,810)
Profit before tax	13	14,283	29,314	53,817	31,029	43,133
Income tax expense	14	(2,985)	(4,861)	(8,982)	(5,063)	(9,368)
Profit for the year/period		11,298	24,453	44,835	25,966	33,765
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of foreign operations		(60)	(92)	(65)	(26)	68
Total comprehensive income for the year/period		11,238	24,361	44,770	25,940	33,833
Profit for the year/period attributable to:						
– Owners of the Company		11,298	24,453	39,741	25,374	25,212
– Non-controlling interests		–	–	5,094	592	8,553
		11,298	24,453	44,835	25,966	33,765
Total comprehensive income for the year/period attributable to:						
– Owners of the Company		11,238	24,361	39,676	25,348	25,280
– Non-controlling interests		–	–	5,094	592	8,553
		11,238	24,361	44,770	25,940	33,833
Earnings per share	17					
Basic		HK1.51 cents	HK3.26 cents	HK5.30 cents	HK3.38 cents	HK3.36 cents
Diluted		N/A	N/A	N/A	N/A	N/A

Combined Statements of Financial Position

	Section B Notes	As at 31 December 2014 HK$'000	2015 HK$'000	2016 HK$'000	As at 30 September 2017 HK$'000
Non-current assets					
Property, plant and equipment	18	363	314	52,007	50,707
Investment properties	19	46,800	49,100	49,400	51,400
Deferred tax assets	29	–	247	–	–
		47,163	49,661	101,407	102,107
Current assets					
Inventories	20	48,745	60,937	116,021	197,712
Trade receivables	21	94,040	170,606	306,284	530,319
Other receivables, deposits and prepayments	22	8,884	13,924	20,343	102,508
Bank balances and cash	23	17,518	16,128	55,971	66,436
		169,187	261,595	498,619	896,975
Current liabilities					
Trade payables	24	69,141	58,110	159,268	261,634
Other payables, accruals and deposit received	25	5,371	9,756	13,556	9,971
Amount due to a director	26	5,751	15,787	2,801	4,055
Amount due to related party	27	–	–	4,929	1,560
Bank borrowings, secured	28	47,088	116,970	262,434	520,277
Tax payable		980	3,322	4,565	12,655
		128,331	203,945	447,553	810,152
Net current assets		40,856	57,650	51,066	86,823
Total assets less current liabilities		88,019	107,311	152,473	188,930
Non-current liabilities					
Deferred tax liabilities	29	87	–	306	277
Net assets		87,932	107,311	152,167	188,653
Capital and reserves					
Share capital	30	3,000	3,000	–	–
Reserves	31	84,932	104,311	147,073	175,099
Equity attributable to owners of the Company		87,932	107,311	147,073	175,099
Non-controlling interests		–	–	5,094	13,554
Total equity		87,932	107,311	152,167	188,653

Statements of Financial Position of the Company

	Section B Notes	As at 31 December **2014** *HK$'000*	**2015** *HK$'000*	**2016** *HK$'000*	As at 30 September **2017** *HK$'000*
Current assets					
Prepayments		–	–	23	–
Bank balances		5	4	2	12
		5	4	25	12
Current liabilities					
Amount due to a related company	27	296	300	332	400
Net liabilities		(291)	(296)	(307)	(388)
Capital and reserves					
Share capital	30	–	–	–	–
Accumulated losses	31	(291)	(296)	(307)	(388)
Deficiency in assets		(291)	(296)	(307)	(388)

Combined Statements of Changes in Equity

	Attributable to owners of the Company						
	Share capital *HK$'000*	**Other reserve*** *HK$'000* *(note)*	**Exchange reserve*** *HK$'000*	**Retained earnings*** *HK$'000*	**Subtotal** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
Balance at 1 January 2014	–	–	186	73,508	73,694	–	73,694
Profit for the year	–	–	–	11,298	11,298	–	11,298
Other comprehensive income for the year	–	–	(60)	–	(60)	–	(60)
Total comprehensive income for the year	–	–	(60)	11,298	11,238	–	11,238
Issue of shares of a subsidiary to controlling shareholder	3,000	–	–	–	3,000	–	3,000
Balance at 31 December 2014 and 1 January 2015	3,000	–	126	84,806	87,932	–	87,932
Profit for the year	–	–	–	24,453	24,453	–	24,453
Other comprehensive income for the year	–	–	(92)	–	(92)	–	(92)
Total comprehensive income for the year	–	–	(92)	24,453	24,361	–	24,361
Dividend *(note 16)*	–	–	–	(4,950)	(4,950)	–	(4,950)
Others	–	(32)	–	–	(32)	–	(32)
Balance at 31 December 2015 and 1 January 2016	3,000	(32)	34	104,309	107,311	–	107,311
Profit for the year	–	–	–	39,741	39,741	5,094	44,835
Other comprehensive income for the year	–	–	(65)	–	(65)	–	(65)
Total comprehensive income for the year	–	–	(65)	39,741	39,676	5,094	44,770
Transfer of shares of a subsidiary held by controlling shareholder to the Group	(3,000)	3,000	–	–	–	–	–
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–
Others	–	86	–	–	86	–	86
Balance at 31 December 2016	–	3,054	(31)	144,050	147,073	5,094	152,167

	Attributable to owners of the Company						
	Share capital *HK$'000*	**Other reserve*** *HK$'000* *(note)*	**Exchange reserve*** *HK$'000*	**Retained earnings*** *HK$'000*	**Subtotal** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
Balance at 1 January 2017	–	3,054	(31)	144,050	147,073	5,094	152,167
Profit for the period	–	–	–	25,212	25,212	8,553	33,765
Other comprehensive income for the period	–	–	68	–	68	–	68
Total comprehensive income for the period	–	–	68	25,212	25,280	8,553	33,833
Acquisition of non-controlling interests	–	–	–	2,714	2,714	(4,897)	(2,183)
Capital injection by non-controlling shareholders	–	–	–	–	–	4,804	4,804
Others	–	32	–	–	32	–	32
Balance at 30 September 2017	–	3,086	37	171,976	175,099	13,554	188,653
For the nine months ended 30 September 2016 (unaudited)							
Balance 1 January 2016	3,000	(32)	34	104,309	107,311	–	107,311
Profit for the period	–	–	–	25,374	25,374	592	25,966
Other comprehensive income for the period	–	–	(26)	–	(26)	–	(26)
Total comprehensive income for the period	–	–	(26)	25,374	25,348	592	25,940
Transfer of shares of a subsidiary held by controlling shareholder to the Group	(3,000)	3,000	–	–	–	–	–
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–
Others	–	86	–	–	86	–	86
Balance at 30 September 2016	–	3,054	8	129,683	132,745	592	133,337

* As at 31 December 2014, 2015 and 2016 and 30 September 2017, these reserve accounts comprise the combined reserves of HK$84,932,000, HK$104,311,000, HK$147,073,000, and HK$175,099,000 respectively, in the combined statements of financial position

Note: Other reserve mainly represents the difference between the historical cost of the shares of a subsidiary paid by controlling shareholder and the consideration paid by the Group in exchange.

Combined Statements of Cash Flows

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Operating activities					
Profit before tax	14,283	29,314	53,817	31,029	43,133
Adjustments for:					
Gain on disposal of property, plant and equipments	(142)	–	–	–	–
Increase in fair value of investment property	(1,400)	(2,300)	(300)	(100)	(2,000)
Interest income	(50)	(49)	(25)	(16)	(10)
Depreciation	186	152	1,340	771	1,804
Impairment of trade receivables	–	2,119	–	–	–
Write-down of inventories	–	2,513	–	–	305
Exchange gain on capitalising shareholder loan	–	–	–	–	(249)
Gain on disposal of a subsidiary	–	–	–	–	(10)
Finance costs	1,140	1,729	4,178	2,683	7,810
Operating cash flows before working capital changes	14,017	33,478	59,010	34,367	50,783
Decrease/(increase) in inventories	14,137	(14,705)	(55,084)	(38,439)	(81,996)
Decrease/(increase) in trade receivables	16,595	(78,685)	(135,678)	(77,528)	(224,035)
Decrease/(increase) in other receivables, deposits and prepayments	286	(5,040)	(6,419)	(15,150)	(82,165)
(Decrease)/increase in trade payables	(520)	(11,031)	101,158	(37,875)	102,366
(Decrease)/increase in other payables, accruals and deposit received	(5,986)	4,386	3,786	68,800	(3,585)
Advance (to)/from a director	(4,106)	10,003	(30,955)	1,116	1,296
Cash generated from/(used in) operating activities	34,423	(61,594)	(64,182)	(64,709)	(237,336)
Interest income received	50	49	25	16	10
Tax paid	(2,469)	(2,853)	(7,245)	(629)	(1,307)
Net cash generated from/(used in) operating activities	32,004	(64,398)	(71,402)	(65,322)	(238,633)
Investing activities					
Payments for purchase of property, plant and equipment	(29)	(109)	(49,266)	(46,480)	(179)
Sales proceeds received from the disposal of property, plant and equipments	160	–	–	–	–
Increase of pledged fixed deposit	–	–	–	–	(1,950)
Net cash from/(used in) investing activities	131	(109)	(49,266)	(46,480)	(2,129)

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Financing activities					
New bank instalment loans raised	–	–	20,200	20,200	7,923
Repayment of bank instalment loans	(736)	(745)	(1,534)	(901)	(3,220)
Net (decrease)/increase in factoring loans	(7,925)	66,648	63,087	33,458	130,554
Net (decrease)/increase in other bank borrowings	(26,311)	3,979	63,711	38,520	122,450
Interests on bank borrowings paid	(1,140)	(1,729)	(4,178)	(2,683)	(7,810)
Advance from related parties	–	–	19,007	19,007	1,560
Dividend paid	–	(4,950)	–	–	–
Payment for acquisition of non-controlling interests *(note 35)*	–	–	–	–	(2,183)
Proceeds from issue of share capital to non-controlling shareholders	–	–	–	–	124
Net cash (used in)/from financing activities	(36,112)	63,203	160,293	107,601	249,398
Net (decrease)/increase in cash and cash equivalents	(3,977)	(1,304)	39,625	(4,201)	8,636
Cash and cash equivalents at beginning of the year/period	21,550	17,518	16,128	16,128	55,971
Effect of foreign exchange rate change	(55)	(86)	218	5	(257)
Cash and cash equivalents at end of the year/period	17,518	16,128	55,971	11,932	64,350
Analysis of cash and cash equivalents at end of the year/period					
Cash at banks and on hand	17,518	16,128	55,971	11,932	64,486
Bank overdrafts	–	–	–	–	(136)
	17,518	16,128	55,971	11,932	64,350

B. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 4 July 2012, as an exempted company with limited liability under the Companies Law of the Cayman Islands in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the address of its principal place of business is Units 2-3, 1/F., Sun Cheong Industrial Building, 1 Cheung Shun Street, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in the Note 2 of this section.

The parent company of the Company is Best Sheen Limited, a company incorporated in the British Virgin Islands ("BVI"), which held 100% of the issued share capital of the Company as at the date of this report. In the opinion of the directors of the Company, as at the date of this report, the Company's ultimate controlling shareholder is Mr. Lee Bing Kwong ("Mr. Lee").

The Historical Financial Information is presented in Hong Kong dollar ("HK$"), which is the same as the functional currency of the Company, and all values are rounded to nearest thousand, unless otherwise stated.

2 REORGANISATION

Prior to the completion of the reorganisation as described below (the "Reorganisation"), the main operating activities of the Group were carried out by AVT International Limited ("AVT International") and its subsidiary, Shenzhen Lisigao Electronics Company Limited. 2,000,000 shares and 78,947 shares of AVT International, representing the entire equity interest in AVT International, were owned by Apex Team Limited ("Apex Team") and Mr. Lee respectively at 31 December 2014 and 2015. Apex Team was a wholly owned subsidiary of Ace Power Holdings Limited ("Ace Power"), a company wholly owned by Mr. Lee.

On 4 July 2012, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. Upon incorporation, one share of HK$0.01 each was allotted and issued to Best Sheen Limited.

On 1 November 2015, Mr. Lee and his spouse, Ms. Lo Yuen Lai ("Ms. Lo") transferred their respective one share of Able System Limited ("Able System"), representing the entire equity interest in Able System, to Apex Team at total consideration of US$2.

On 5 January 2016, Data Star Inc. ("Data Star") was incorporated in BVI as a limited liability company. On 12 April 2016, 51 shares, 29 shares and 20 shares at par value of US$1 each were allotted and issued to Apex Team, Kingsbury Investments Limited ("Kingsbury") and Mr. Pai Yin Lin ("Mr. Pai"), respectively.

On 28 April 2016, Kingsbury transferred its 29 shares of Data Star (the "Trust Shares") to Mr. Lee Chak Hol ("CH Lee), son of Mr. Lee, holding on trust for Kingsbury. On 29 April 2016 the said trust arrangement has been terminated and Kingsbury transferred its beneficial interest in the Trust Shares to Mr. CH Lee that Mr. CH Lee became the legal and beneficial owner of the Trust Shares.

On 20 January 2016, Mr. Lee transferred 78,947 shares in AVT International to Apex Team in consideration of HK$1.

On 18 January 2016, Ascent Way International Limited was incorporated in Hong Kong as a limited liability company and one share of HK$1 each was alloted and issued to a secretarial service company, GRL16 Nominee Limited. The one share issued was transferred to Data Star on 13 April 2016.

On 17 May 2016, Mr. Lee and Ms. Lo transferred their respective one share in I-Sky Electronic Limited ("I-Sky") (representing the entire equity interest in I-Sky) to Apex Team and Ace Power respectively at consideration of HK$1 each.

For the purpose of listing of the Company's shares on the Main Board of the Stock Exchange, the following reorganisation steps have been carried out by the Group:

– On 25 April 2017, Ace Power transferred one share of I-Sky to Apex Team, at nominal value of HK$1.

– On 19 June 2017, Mr. CH Lee, who held 29 shares of Data Star transferred 21 shares of Data Star to Apex Team and 8 shares of Data Star to Mr. Pai, in consideration of HK$2,182,996 and HK$831,618, respectively.

– On 19 June 2017, 1,583,928 shares of Data Star were allotted and issued to Apex Team by capitalising in full the loan owed by Data Star to Apex Team of US$1,530,000 and at the cash consideration of US$53,928; and 615,972 shares of Data Star were allotted and issued to Mr. Pai by capitalising in full the loan owed by Data Star to Mr. Pai of US$600,000 and at the cash consideration of US$15,972.

– Upon completion of the capitalisation issue and share allotment, Data Star is owned as to 1,584,000 shares by Apex Team and 616,000 shares by Mr. Pai, representing 72% and 28% of the entire issued share capital of Data Star respectively.

– On 19 June 2017, Apex Team transferred two shares of Able System to Mr. Lee at nominal value of US$2.

– On 15 February 2018, Ace Power and the Company entered into a share swap agreement pursuant to which the Company acquired from Ace Power one share in Apex Team, representing the entire issued share capital of Apex Team, in consideration and exchange for (a) the allotment and issue of 99 Shares to Best Sheen, all credited as fully paid (under the direction of Ace Power); and (b) the crediting as fully paid at par the one nil paid Share held by Best Sheen.

Upon completion of the above Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group. As at 31 December 2014, 2015 and 2016, 30 September 2017 and the date of this report, the Company has direct or indirect interests in the following subsidiaries.

			Attributable equity interest of the Group					
	Place and date of	Registered/ issued and fully paid	At 31 December			At 30 September	At the date of this	Principal
Name of company	incorporation	share capital	2014	2015	2016	2017	report	activities
Shares held directly:								
Apex Team Limited	BVI 15 June 2009	US$1	100%	100%	100%	100%	100%	Investment holding
Shares held indirectly:								
Able System Limited	BVI 8 July 2011	US$2	N/A	100%	100%	N/A	N/A	Inactive
Ascent Way International Limited ("Ascent Way")	Hong Kong 18 January 2016	HK$1	N/A	N/A	51%	72%	72%	Sales of electronic components
AVT International Limited	Hong Kong 7 May 1992	HK$4,999,986	100%	100%	100%	100%	100%	Sales of electronic components, and sales and integration of storage systems
Data Star Inc.	BVI 5 January 2016	US$2,200,000	N/A	N/A	51%	72%	72%	Investment holding

Name of company	Place and date of incorporation	Registered/ issued and fully paid share capital	Attributable equity interest of the Group: At 31 December 2014	2015	2016	At 30 September 2017	At the date of this report	Principal activities
I-Sky Electronic Limited	Hong Kong 12 June 2000	HK$2	N/A	N/A	100%	100%	100%	Properties holding
Shenzhen Lisigao Electronics Company Limited* ("Shenzhen Lisigao") (深圳麗斯高電子有限公司)	People's Republic of China ("PRC") 18 July 2008	HK$1,000,000	100%	100%	100%	100%	100%	Sales of electronic components, and sales of storage system and provision of related supporting service

* *The English name is translated for identification purpose only.*

Except for I-Sky, the Company and its subsidiaries have adopted 31 December as their financial year end date. The financial year end date of I-Sky was 31 March and changed to 31 December effective from 31 December 2016.

No statutory financial statements were prepared for Able System, Apex Team, and Data Star since its date of incorporation as there are no statutory requirements in the BVI.

The statutory financial statements of AVT International for the Relevant Period, the statutory financial statements of Ascent Way for the period from 18 January 2016 (date of incorporation) to 31 December 2016 and the statutory financial statements of I-Sky for the period from 1 April 2016 to 31 December 2016 were audited by us. These statutory financial statements were prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities ("HKFRS for PE") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The statutory financial statements of Shenzhen Lisigao for the Relevant Period were audited by 深圳裕達會計師事務所, a firm of certified public accountants registered in the PRC, in accordance with the relevant accounting principles and financial regulations applicable to enterprise establishment in the PRC.

3 BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

Pursuant to the Reorganisation, the Company became the holding company of all subsidiaries now comprising the Group subsequent to the end of the Relevant Periods on 15 February 2018. The companies now comprising the Group, were under the common control of the controlling shareholder, Mr. Lee, before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis by applying the principals of merger accounting as if the Company had been the holding company of the Group since the commencement of the Relevant Periods taking into account the respective date of incorporation or the respective date the combining entities first came under the common control of the controlling shareholder of the Group where this is a shorter period.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Relevant Periods included the results, changes in equity and cash flows of the companies comprising the Group as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation or first came under the common control of the controlling shareholder, whichever is the shorter period. The combined statements of financial position of the Group as at 31 December 2014, 2015 and 2016 and at 30 September 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure has been in existence at those dates taking into account the respective dates of incorporation or acquisition of relevant entities, where applicable.

All intra-group transactions and balances have been eliminated on combination. The assets and liabilities of the companies comprising the Group are combined using the existing book values. No amount is recognised in respect of goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination.

4 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that are effective for the Group's accounting periods beginning on 1 January 2017. For the purpose of preparing the Historical Financial Information, the Group has adopted all these new and revised HKFRSs to the extent that they are applicable to the Group consistently throughout the Relevant Periods.

Up to the date of this report, HKICPA has issued the following new and revised standards, amendments or interpretations which are not yet effective for the accounting period beginning on 1 January 2017. The Group has not early applied these new and revised standards, amendments or interpretations in the Historical Financial Information.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contract[3]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatment[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 15	Clarifications to HKFRS 15[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Annual improvements 2014-2016 Cycle	Amendments to the following standards[1] – HKFRS 1 First-time Adoption of HKFRSs – HKAS 28 Investments in Associates and Joint Ventures

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for annual periods beginning on or after a date to be determined

Except as disclosed below, the directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the financial performance and positions of the Group.

HKFRS 9 "Financial Instruments"

HKFRS 9 "Financial Instruments" issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' measurement category for certain simple debt instruments.

HKFRS 9 will be adopted in the Group's financial statements for the annual period beginning on 1 January 2018 with earlier application permitted. During the Relevant Periods, the Group's financial assets and financial liabilities were carried at amortised costs without significant impairment on financial assets. The directors of the Company expect that these will continue to be measured at amortised cost under HKFRS 9 and assess no significant impact on the Group's financial position and results of operations.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 specifies how and when the Group will recognise revenue as well as requiring the Group to provide users of financial statements with more informative and relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. Under HKFRS 15, revenue is recognised in accordance with the core principle by identifying the contract(s) with a customer, identifying the performance obligation in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract and recognising revenue when (or as) the performance obligation is satisfied. HKFRS 15 also includes a cohesive set of disclosure requirements that would result in providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the contracts with customers.

HKFRS 15 will be adopted in the Group's financial statements for the annual period beginning on 1 January 2018. Under HKFRS 15, the Group recognises revenue when a performance obligation is satisfied. Impact on the revenue recognition may arise when multiple performance obligations are identified. The Group's major revenue is revenue from sales of goods. The directors of the Company have assessed the impact of HKFRS 15 and consider that the Group will recognise the revenue under HKFRS 15 similar to its current revenue recognition policy and therefore, anticipate that the adoption of HKFRS 15 would not result in any significant impacts on the Group's financial statements. However, the Group will be required to provide a cohesive set of additional disclosure under HKFRS 15 upon its adoption.

HKFRS 16 "Leases"

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 33, total operating lease commitment of the Group as at 30 September 2017 amounting to HK$2,532,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance but it is expected that certain portion of the lease commitments will be required to be recognised in the Group's statement of financial position as right-of use assets and lease liabilities.

5 SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared under the historical cost basis, except for investment property which is measured at fair value as explained in the accounting policies set out below, and in accordance with HKFRSs, which is a collective term that includes all individual HKFRSs, Hong Kong Accounting Standards, and interpretations issued by HKICPA, and accounting policies generally accepted in Hong Kong. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance.

The accounting policies have been consistently applied throughout the Relevant Periods.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise the judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 6 of Section B below.

(a) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use the power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Combination of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Relevant Periods are included in the combined statements of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combination involving entities under common control

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

(b) 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:

(i) revenue 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;

(ii) service income from providing comprehensive solution and platform to customers is recognised, when the services are rendered;

(iii) rental income under operating leases is recognised on a straight-line basis over the lease term; and

(iv) interest income is recognised as it accrues using the effective interest method.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Property, plant and equipment are depreciated at rates sufficient to write off their costs, less their estimated residual value, if any, over their estimated useful lives on a straight-line basis at the following annual rates:

Leasehold land and buildings	Over the unexpired term of lease
Leasehold improvement	20%
Furniture and fixtures	20%
Computer and office equipment	20%
Motor vehicle	20%

Useful lives and depreciation method are reviewed and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. The gain or loss on disposal or retirement of an asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(d) Investment property

Investment property is property held to earn rentals and/or for capital appreciation. Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gain and loss arising from change in the fair value of investment property is included in profit or loss in the period which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method and includes all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses. At the end of each reporting period, inventories are assessed for impairment and the carrying amount is reduced to its net realisable value with the impairment loss recognised immediately in profit or loss.

(f) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense on a straight-line basis over the lease term.

(g) Financial instruments

Financial assets and financial liabilities are recognised on the combined statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All the Group's financial assets are classified as loans and receivables. The accounting policies adopted for the Group's financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, bank balances and cash) are carried at amortised cost using the effective interest rate method, less any identified impairment losses (see accounting policy in respect of impairment on financial assets below), unless the effect of discounting would be immaterial, in which case they are stated at cost less any identified impairment losses.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been impacted.

For loans and receivables, objective evidence of impairment could include: (i) significant financial difficulty of the issuer or the counterparty; (ii) default or delinquency in interest or principal payments; (iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or (iv) the disappearance of an active market for that financial asset because of financial difficulties.

Financial assets that are assessed not to be impaired individually, such as trade receivables, are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in the subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

All the Group's financial liabilities (including trade payables, other payables and accruals, amounts due to a director and related party and bank borrowings) are subsequently measured at amortised cost using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the relevant group entities are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the Group transfers the financial assets and substantially all the risks and rewards of ownership of the financial assets to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(h) Cash and cash equivalents

For the purpose of the combined statement of cash flows, cash and cash equivalents consist of cash in hand, deposits held at call with banks and short-term bank deposits with an original maturity period of three months or less. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(i) Impairment of non-financial assets, other than inventories

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, an impairment loss is recognised to reduce the carrying amount of the asset to its recoverable amount. Such impairment losses are recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income in profit or loss.

(j) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the combined statement of profit or loss and other comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax assets and liabilities for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

(k) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the combined financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

(l) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. During the Relevant Periods, all borrowing costs have been expensed.

(m) Retirement benefits costs

Payments to Mandatory Provident Fund Scheme and state-managed retirement benefit schemes, which are defined contribution schemes, are charged as an expense when employees have rendered service entitling them to the contributions.

(n) Research and development expenses

Research and development expenses are recognised in profit or loss in the period in which they are incurred.

(o) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entity").

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

(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).

6 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 5, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on past experience, expectations of the future and other information that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

Acquisition of assets

The Group acquired the equity interests in Able System and I-Sky held by Ms. Lo in FY2015 and FY2016 respectively (collectively the "Acquisitions"). As Able System and I-Sky did not carry out any business at the time of the Acquisitions, the Acquisitions do not constitute a business combinations and thus HKFRS 3 does not apply. In such cases, only the assets acquired and liabilities assumed upon the Acquisitions were recognised by the Group.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for property, plant and equipment at the end of each reporting period. Such assets are tested for impairment annually, and/or when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amounts, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market price less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of trade receivables

The Group makes impairment of trade receivables based on assessments of the recoverability of the trade receivables, including the ageing analysis of the trade debts, the current creditworthiness and/or the past collection history of each debtor. Impairment arises where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debt requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will have impact on the carrying value of the trade receivables and doubtful debt expenses in the reporting period in which such estimate has been changed. At 31 December 2014, 2015 and 2016 and 30 September 2017, the carrying amounts of trade receivables are HK$94,040,000, HK$170,606,000, HK$306,284,000 and HK$530,319,000 respectively. No impairment loss on trade receivables was recognised in FY2014. Allowance for impairment of HK$2,119,000 was made on trade receivable at 31 December 2015 and 2016 and 30 September 2017.

Allowance for slow-moving and obsolete inventories

Allowance for slow-moving and obsolete inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and the allowance charge/write-back in the period in which such estimate has been changed. At 31 December 2014, 2015 and 2016 and 30 September 2017, the carrying amounts of inventories are HK$48,745,000, HK$60,937,000, HK$116,021,000 and HK$197,712,000 respectively. In FY2015 and FP2017, a written down of inventories amounted to approximately HK$2,513,000 and HK$305,000 was made respectively. No such written down was made in FY2014 and FY2016.

Fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves assumption of market conditions. The directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the combined statements of profit or loss and other comprehensive income. The movements of fair value of the investment properties are set out in note 19.

7 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure the entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balances. The overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure periodically. The Group considers the cost of capital and risk associated with each class of capital, and will balance its overall capital structure through payment of dividends and raising of new capital.

8 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The carrying amounts of the financial assets and liabilities as at the end of each reporting period are as follows:

	The Group				The Company			
	As at 31 December			As at 30 September	As at 31 December			As at 30 September
	2014	2015	2016	2017	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets:								
Loans and receivables:								
Trade receivables	94,040	170,606	306,284	530,319	–	–	–	–
Financial assets included in other receivables, deposits and prepayments	1,060	5,057	3,873	4,278	–	–	–	–
Bank balances and cash	17,518	16,128	55,971	66,436	5	4	2	12
	112,618	191,791	366,128	601,033	5	4	2	12
Financial liabilities								
Financial liabilities measured at amortised cost:								
Trade payables	69,141	58,110	159,268	261,634	–	–	–	–
Financial liabilities included in other payables, accruals and deposit received	3,039	7,339	11,559	6,182	–	–	–	–
Amount due to a director	5,751	15,787	2,801	4,055	–	–	–	–
Amount due to related party	–	–	4,929	1,560	296	300	332	400
Bank borrowings, secured	47,088	116,970	262,434	520,277	–	–	–	–
	125,019	198,206	440,991	793,708	296	300	332	400

(b) Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are described below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is United States dollars ("USD"). The Group currently does not have a foreign currency hedging policy with respect to its foreign exchange exposure. However, management monitors foreign exchange exposures and will consider hedging significant foreign currency exposure should the need arise.

The following table details the Group's exposure at the end of each reporting period to currency risk arising from recognised assets or liabilities denominated in USD. For presentation purpose, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of each reporting period.

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	84,939	164,009	295,512	504,993
Bank balances and cash	10,266	12,302	47,114	65,585
Financial assets included in other receivables, deposits and prepayments	1,060	3,738	3,738	2,680
Trade payables	(65,937)	(54,424)	(154,604)	(247,659)
Financial liabilities included in other payables, accruals and deposit received	(811)	(2,242)	(2,177)	(909)
Amount due to related party	–	–	(312)	–
Bank borrowings, secured	(39,002)	(109,629)	(236,427)	(480,431)
Net exposure arising from recognised assets and liabilities	(9,485)	13,754	(47,156)	(155,741)

Foreign currency sensitivity analysis

The Group mainly exposes to foreign exchange fluctuation of the currency of USD against the currency of Hong Kong dollar ("HKD"). The directors consider that the Group's exposure to USD does not give rise to significant foreign currency risk on the ground that HKD is pegged to USD. Therefore, no sensitivity analysis of USD against the functional currency of the respective group entity is disclosed.

(ii) Interest rate risk

The Group's exposure to cash flow interest rate risk arises primarily from its variable-rate bank deposits and bank borrowings.

The Group currently does not have any interest rate hedging policy. However, the management monitors the Group's exposure to interest rate risk on an ongoing basis and will consider hedging interest rate risk should the need arise.

Interest rate sensitivity analysis

The sensitivity analysis below has been prepared based on the exposure to interest rates for the Group's variable-rate bank deposits and bank borrowings at the end of each reporting period. The analysis is prepared assuming the amount of these assets and liabilities outstanding at the end of each reporting period were outstanding for the whole period. A 100 basis points increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The analysis has been performed on the same basis throughout the Relevant Periods.

At the end of the reporting period, if interest rates had been 100 basis points higher/lower in respect of the Group's variable rate bank deposits and bank borrowings, with all other variables held constant, there would decrease/increase the Group's post-tax profit and equity in FY2014, FY2015, FY2016 and FP2017 by approximately HK$341,000, HK$930,000, HK$2,191,000 and HK$4,326,000 respectively.

(iii) Credit risk

The Group's credit risk is primarily attributable to trade receivables, other receivables and bank deposits. As at 31 December 2014, 2015 and 2016 and 30 September 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amounts of the respective recognised financial assets as stated in the combined statements of financial position without taking account of any factoring that do not qualify for derecognition in the combined financial statements. As at 31 December 2014, 2015 and 2016 and 30 September 2017, trade receivables amounting to HK$33,902,000, HK$106,674,000, HK$188,763,000 and HK$391,960,000 respectively have been transferred to financial institutions under factoring agreements.

In respect of trade receivables, the Group has a credit policy in place and will perform credit evaluations on all customers requiring credit over a certain amount. Certain trade receivable balances on open account terms are covered by customers' letters of credit or are factored to external financial institutions.

In order to minimise the credit risk, the Group reviews the recoverable amount of each individual trade debt regularly to ensure that adequate allowance for impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as the Group's largest trade debtor accounted for 24%, 34%, 23% and 14% of its total trade receivables as at 31 December 2014, 2015 and 2016 and 30 September 2017 respectively. In addition, the Group's top five major customers accounted for 57%, 62%, 45% and 42% of its total trade receivables as at 31 December 2014, 2015 and 2016 and 30 September 2017 respectively.

The credit risks of financial assets included in other receivables are low as the Group has not had any significant loss arising from non-performance by the counterparties in the past and management does not expect so in the future.

The credit risk for liquid funds is limited because such amounts are placed with various banks with good credit ratings.

At 30 September 2017, the Group was exposed to credit risk in relation to guarantees given to a bank by the Group. The maximum exposure to credit risk in respect of these guarantees is disclosed in the liquidity table below.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 21.

(iv) Liquidity risk

The Group's liquidity position is monitored closely by the management of the Group. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and to meet its liquidity requirements in the short and longer term.

During the Relevant Periods, the Group financed its working capital requirements principally by funds generated from operations and bank borrowings.

The following table details the Group's contractual maturities at the end of each reporting period for its financial liabilities. The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Repayable on demand or within 1 year *HK$'000*	More than 1 year *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
The Group				
As at 31 December 2014				
Trade payables	69,141	–	69,141	69,141
Financial liabilities included in other payables, accruals and deposit received	3,039	–	3,039	3,039
Amount due to a director	5,751	–	5,751	5,751
Amount due to related party	–	–	–	–
Bank borrowings *(note 1)*	47,088	–	47,088	47,088
	125,019	–	125,019	125,019
As at 31 December 2015				
Trade payables	58,110	–	58,110	58,110
Financial liabilities included in other payables, accruals and deposit received	7,339	–	7,339	7,339
Amount due to a director	15,787	–	15,787	15,787
Amount due to related party	–	–	–	–
Bank borrowings *(note 1)*	116,970	–	116,970	116,970
	198,206	–	198,206	198,206

	Repayable on demand or within 1 year	More than 1 year	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2016				
Trade payables	159,268	–	159,268	159,268
Financial liabilities included in other payables, accruals and deposit received	11,559	–	11,559	11,559
Amount due to a director	2,801	–	2,801	2,801
Amount due to related party	4,929	–	4,929	4,929
Bank borrowings *(note 1)*	262,434	–	262,434	262,434
	440,991	–	440,991	440,991
As at 30 September 2017				
Trade payables	261,634	–	261,634	261,634
Financial liabilities included in other payables, accruals and deposit received	6,182	–	6,182	6,182
Amount due to a director	4,055	–	4,055	4,055
Amount due to related party	1,560	–	1,560	1,560
Bank borrowings *(note 1)*	520,277	–	520,277	520,277
	793,708	–	793,708	793,708
Guarantees issued:				
Maximum amount guaranteed *(note 2)*	31,763	–	31,763	–

The Company

Amount due to a related company is repayable on demand.

Note 1:

Borrowings with a repayment on demand clause are included in the "Repayable on demand or within 1 year" time band in the above maturity analysis. As at 31 December 2014, 2015 and 2016 and 30 September 2017, the aggregate undiscounted principal amount of these borrowings amounted to HK$29,832,000, HK$33,066,000, HK$115,443,000 and HK$242,732,000 respectively. Taking into account the Group's financial position, the directors of the company does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

In accordance with the terms of the loans which contain a repayment on demand clause, the maturity profile of these loans as at the end of each reporting period, based on the contractual undiscounted payments according to the scheduled repayment dates, is as follows:

	Within one year	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At as 31 December 2014	22,642	3,360	4,429	30,431
As at 31 December 2015	26,585	3,355	3,580	33,520
As at 31 December 2016	92,680	11,863	14,043	118,586
As at 30 September 2017	222,432	11,259	12,456	246,147

Note 2:

The amounts included above for guarantees issued are the maximum amounts the Group could have to pay if that amount is claimed by the bank. The Group did not consider it probable that a claim would be made against the Group under the guarantees.

(c) Fair value of financial instruments

The management of the Group considers that the carrying amounts of the Group's financial assets and financial liabilities as reflected in the combined statements of financial position approximate their respective fair values.

9 REVENUE

Revenue represents the amount received and receivable for goods sold and services provided by the Group at invoiced value, net of returns and discounts, during the Relevant Periods. An analysis of the Group's revenue recognised during the Relevant Periods is as follows:

	Year ended 31 December			**Nine months ended 30 September**	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Sales of goods	779,260	1,119,430	1,701,978	1,120,586	1,974,225
Service income	1,127	1,776	344	344	–
	780,387	1,121,206	1,702,322	1,120,930	1,974,225

10 SEGMENT INFORMATION

The executive directors of the Company, who are the chief operating decision makers ("CODM") review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports. Segment information reported internally was analysed on the basis of the type of products sold and activities carried out by the Group's operating division. The Group is currently operating in three operating segment as follows:

(a) Memory products;

(b) Data & Cloud products; and

(c) General components.

Management assesses the performance of the operating segments based on a measure of gross profits. The accounting policies of the operating segments are the same as those described in note 5 above.

As the segment assets and the liabilities are not regularly reported to the directors of the Group, the information of reportable segment assets and liabilities is not presented.

The following tables represent segment information of the Group provided to the management for the Relevant Periods:

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
SEGMENT REVENUE					
Memory products	372,489	540,439	1,027,422	648,705	1,337,531
Data & Cloud products	237,411	480,394	553,734	390,039	407,268
General components	170,487	100,373	121,166	82,186	229,426
Total reportable segment revenue	780,387	1,121,206	1,702,322	1,120,930	1,974,225
SEGMENT RESULTS					
Memory products	11,112	21,826	54,508	28,045	54,583
Data & Cloud products	8,820	25,051	30,514	21,744	27,579
General components	15,996	6,841	9,270	6,372	15,061
Total reportable segment profit	35,928	53,718	94,292	56,161	97,223
Other income	1,597	1,510	2,482	1,974	1,898
Fair value change of investment property	1,400	2,300	300	100	2,000
Finance costs	(1,140)	(1,729)	(4,178)	(2,683)	(7,810)
Depreciation of property, plant and equipment	(186)	(152)	(1,340)	(771)	(1,804)
Unallocated corporate expenses	(23,316)	(26,333)	(37,739)	(23,752)	(48,374)
Profit before tax	14,283	29,314	53,817	31,029	43,133
Income tax expenses	(2,985)	(4,861)	(8,982)	(5,063)	(9,368)
Profit after tax	11,298	24,453	44,835	25,966	33,765

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the Relevant Periods. Segment profit represents the gross profit earned by each segment.

Geographical information

The Group is domiciled in Hong Kong. The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical location of customers is based on the location of the customers. The geographical location of the non-current assets other than deferred tax assets is based on the physical location of the assets.

	Revenue from external customers				
	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Hong Kong	283,156	261,709	369,985	243,020	269,204
The PRC	446,962	811,511	1,297,625	856,107	1,682,431
Others	50,269	47,986	34,712	21,803	22,590
	780,387	1,121,206	1,702,322	1,120,930	1,974,225

	Non-current assets			
	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	46,884	49,185	95,518	96,114
The PRC	279	229	5,889	5,993
Others	–	–	–	–
	47,163	49,414	101,407	102,107

Information about major customers

The Group's revenue from customers which accounted for 10% or more of the Group's total revenue are as follow:

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
AVTE	98,819	N/A*	N/A*	N/A*	N/A*
Customer A	N/A*	148,780	N/A*	N/A*	N/A*
Customer D	N/A*	120,745	297,396	204,515	217,507
Customer K	N/A*	N/A*	N/A*	N/A*	205,114

Sales to AVTE and customer A are included in the three operating segments. Sales to customer D, and customer K are included in the segment of sales of Data & Cloud products, and segment of sales of memory products respectively.

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

11 OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Bank interest income	50	49	25	16	10
Rental income	1,380	1,452	1,652	1,179	1,215
Gain on disposal of property, plant and equipment	142	–	–	–	–
Gain on disposal of a subsidiary	–	–	–	–	10
Sundry income	25	9	805	779	663
	1,597	1,510	2,482	1,974	1,898

12 FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Discounting charges on factoring loans	470	1,035	2,622	1,692	4,516
Interests on other bank borrowings	670	694	1,556	991	3,294
	1,140	1,729	4,178	2,683	7,810

13 PROFIT BEFORE TAX

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profit for the year/period has been arrived at after charging and crediting:					
Cost of inventories recognised as an expense	744,459	1,064,975	1,608,030	1,064,769	1,876,697
Write-down of inventories	–	2,513	–	–	305
Auditor's remuneration					
– Current year/period	230	282	467	330	358
– Overprovision for prior year	–	–	–	–	(20)
Depreciation of property, plant and equipment	186	152	1,340	771	1,804
Net foreign exchange loss/(gain)	233	356	1,293	498	(1,157)
Operating lease charges in respect of land and buildings	1,348	1,446	1,800	1,363	1,274
Impairment of trade receivables	–	2,119	–	–	–
Research and development expenses	15	–	–	–	–
Listing expenses	3,164	1,000	115	–	12,248
Staff costs including director's emoluments					
– basic salaries and allowance	10,963	11,998	18,243	10,255	14,441
– contributions to defined contribution retirement plans	884	856	1,075	744	1,342
– messing and welfare	345	389	648	477	796

14 INCOME TAX EXPENSE

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Current tax – Hong Kong Profits Tax					
Provision for the year/period	2,517	5,209	8,429	4,695	9,397
Over-provision for prior years	(20)	(20)	–	–	–
Current tax – PRC tax					
Provision for the year/period	487	–	–	–	–
Under-provision for prior years	–	6	–	–	–
Deferred tax *(note 29)*	1	(334)	553	368	(29)
Total income tax expense recognised in profit or loss for the year/period	2,985	4,861	8,982	5,063	9,368

Hong Kong Profits Tax has been provided at a rate of 16.5% based on the estimated assessable profit arising in Hong Kong during the Relevant Periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate for the PRC subsidiary of the Company is 25% for the Relevant Periods. No Enterprise Income Tax has been provided in FY2015 and FY2016 and FP2017 as the PRC subsidiary has no assessable profit in FY2015 and FP2017 and has allowable tax losses brought forward which exceed its estimated assessable profit in FY2016.

The income tax expense for the Relevant Periods can be reconciled to the profit before tax per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Profit before tax	14,283	29,314	53,817	31,029	43,133
Tax at the applicable income tax rate of 16.5%	2,356	4,837	8,879	5,120	7,117
Tax effect of expenses not deductible for tax purpose	830	278	122	91	2,497
Tax effect of income not taxable for tax purpose	(233)	(403)	(86)	(74)	(330)
Tax effect of utilisation of tax losses previously not recognised	(11)	–	(33)	(187)	(37)
Tax effect of tax losses not recognised	–	316	38	33	409
Tax effect of deductible temporary differences not recognised	(12)	(40)	61	23	(87)
Over-provision in prior years	(20)	(14)	–	–	–
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	75	(113)	1	57	(201)
Income tax expense for the year/period	2,985	4,861	8,982	5,063	9,368

15 REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Director's remuneration

During the Relevant Periods, the emoluments paid or payable by the companies now comprising the Group to the Company's executive directors were as follows:

Year ended 31 December 2014

	Executive director		
	Mr. Lee Bing Kwong	**Mr. Lo Yuen Kin**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Directors' fees	–	–	–
Other emoluments:			
Salaries, allowances and benefits in kind	720	240	960
Retirement scheme contributions	–	12	12
	720	252	972
Year ended 31 December 2015			
Directors' fees	–	–	–
Other emoluments:			
Salaries, allowances and benefits in kind	1,180	240	1,420
Retirement scheme contributions	–	12	12
	1,180	252	1,432
Year ended 31 December 2016			
Directors' fees	–	–	–
Other emoluments:			
Salaries, allowances and benefits in kind	1,599	176	1,775
Retirement scheme contributions	–	9	9
	1,599	185	1,784
Nine months ended 30 September 2016 (Unaudited)			
Directors' fees	–	–	–
Other emoluments:			
Salaries, allowances and benefits in kind	540	140	680
Retirement scheme contributions	–	7	7
	540	147	687
Nine months ended 30 September 2017			
Directors' fees	–	–	–
Other emoluments:			
Salaries, allowances and benefits in kind	540	180	720
Retirement scheme contributions	91	9	100
	631	189	820

Mr. Cheung Siu Kui, Mr. Yim Kwok Man and Dr. Chow Terence were appointed as the Company's independent non-executive directors on 15 February 2018. During the Relevant Periods, all independent non-executive directors have not yet been appointed and received nil directors' remuneration in the capacity of directors of the Company.

(b) Five highest paid individuals' remuneration

The five highest paid individuals of the Group included one director of the Company for each of the years ended 31 December 2014, 2015 and 2016 and nine months ended 30 September 2016 and 2017, details of whose emoluments are included in the disclosures in note 15(a) above. The emoluments of the remaining four highest paid individuals during the Relevant Periods are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries and other emoluments	1,752	1,983	3,686	1,535	2,293
Retirement scheme contributions	34	35	24	31	41
Welfare and other expenses	–	–	21	15	13
	1,786	2,018	3,731	1,581	2,347

The emolument of the remaining four is within the following bands:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	Number	*Number*	*Number*	*Number* (Unaudited)	*Number*
Nil to HK$1,000,000	4	4	3	4	3
HK$1,000,001 to HK$2,000,000	–	–	–	–	1
HK$2,000,001 to HK$3,000,000	–	–	1	–	–

No remuneration was paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods. In addition, the directors of the Company have not waived any emoluments during the Relevant Periods.

16 DIVIDENDS

No dividends were declared or paid by the Company during the Relevant Periods. The subsidiaries of the Group had declared and paid dividends in respect of the relevant year to the controlling shareholder, Mr. Lee during the Relevant Periods as follows:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
AVT International	–	189	–	–	–
Apex Team	–	4,761	–	–	–
	–	4,950	–	–	–

The rate of dividend and number of shares ranking for dividend are not presented as such information is not meaningful having regards to the purpose of this report.

On 13 February 2018, dividends of HK$15,975,000 have been declared and paid by Apex Team to the controlling shareholder.

17 EARNINGS PER SHARE

The calculation of the basic earnings per share for the Relevant Periods is based on the combined profit for each reporting period during the Relevant Periods and on the assumption that 750,000,000 shares of the Company were in issue throughout the entire Relevant Periods comprising 100 shares in issue at the date of the prospectus and 749,999,900 shares to be issued pursuant to the capitalisation issue as detailed in the subsection headed "the Reorganisation" under the section headed "History, Reorganisation and Group Structure" in the prospectus.

No diluted earnings per share is presented for the Relevant Periods as the Company did not have any dilutive potential ordinary shares during the Relevant Periods.

18 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building	Leasehold improvement	Furniture and fixtures	Computer and office equipment	Motor vehicle	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Group						
Cost						
At 1 January 2014	–	–	47	527	743	1,317
Additions	–	–	–	29	–	29
Disposal	–	–	–	–	(377)	(377)
Exchange realignment	–	–	–	(1)	(15)	(16)
At 31 December 2014 and 1 January 2015	–	–	47	555	351	953
Additions	–	–	–	109	–	109
Exchange realignment	–	–	–	(3)	(20)	(23)
At 31 December 2015 and 1 January 2016	–	–	47	661	331	1,039
Additions	50,314	1,271	887	844	–	53,316
Disposal	–	–	(14)	(17)	–	(31)
Exchange realignment	(287)	–	–	(5)	(18)	(310)
At 31 December 2016 and 1 January 2017	50,027	1,271	920	1,483	313	54,014
Additions	–	11	23	145	–	179
Disposal	–	–	–	–	(322)	(322)
Exchange realignment	335	–	–	8	9	352
At 30 September 2017	50,362	1,282	943	1,636	–	54,223
Accumulated depreciation						
At 1 January 2014	–	–	35	255	483	773
Charge for the year	–	–	7	94	85	186
Disposal	–	–	–	–	(358)	(358)
Exchange realignment	–	–	–	(1)	(10)	(11)
At 31 December 2014 and 1 January 2015	–	–	42	348	200	590
Charge for the year	–	–	4	82	66	152
Exchange realignment	–	–	–	(2)	(15)	(17)
At 31 December 2015 and 1 January 2016	–	–	46	428	251	725
Charge for the year	1,066	41	31	140	62	1,340
Disposal	–	–	(14)	(17)	–	(31)
Exchange realignment	(9)	–	–	(2)	(16)	(27)
At 31 December 2016 and 1 January 2017	1,057	41	63	549	297	2,007
Charge for the period	1,265	192	136	196	15	1,804
Disposal	–	–	–	–	(322)	(322)
Exchange realignment	15	–	–	2	10	27
At 30 September 2017	2,337	233	199	747	–	3,516

	Leasehold land and building *HK$'000*	Leasehold improvement *HK$'000*	Furniture and fixtures *HK$'000*	Computer and office equipment *HK$'000*	Motor vehicle *HK$'000*	Total *HK$'000*
Net book value						
At 31 December 2014	–	–	5	207	151	363
At 31 December 2015	–	–	1	233	80	314
At 31 December 2016	48,970	1,230	857	934	16	52,007
At 30 September 2017	48,025	1,049	744	889	–	50,707

The leasehold land and building of HK$43,361,000 and HK$42,298,000 have been mortgaged to secure general banking facilities granted to the Group at 31 December 2016 and 30 September 2017.

The net book value of leasehold land and building at the end of each of the Relevant Period are analysed by the term of the leases are as follows:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
In Hong Kong				
– Medium term leases	–	–	43,361	42,298
In the PRC				
– Medium term leases	–	–	4,689	4,788
– Long term leases	–	–	920	939
	–	–	48,970	48,025

19 INVESTMENT PROPERTIES

	HK$'000
The Group	
At fair value	
At 1 January 2014	45,400
Fair value adjustment	1,400
At 31 December 2014 and 1 January 2015	46,800
Fair value adjustment	2,300
At 31 December 2015 and 1 January 2016	49,100
Fair value adjustment	300
At 31 December 2016 and 1 January 2017	49,400
Fair value adjustment	2,000
At 30 September 2017	51,400

The Group's investment properties are commercial properties situated in Hong Kong and leased out to third parties. The investment properties were revalued by GA Valuation Limited as at 31 December 2014 and by International Valuation Limited as at 31 December 2015 and 2016 and 30 September 2017 on an open market value basis. They are independent professional valuers, who have among their staff holding recognised and relevant professional qualification with recent experience in the location and category of property being valued. The valuation at 31 December 2014 and 2015 was arrived by adopting the market approach and employing investment method by taking into account of the rental income derived from the existing tenancy with due allowance for the reversionary income potential of the tenancy, which is then capitalised into the value at an appropriate capitalisation rate. The valuation at 31 December 2016 and 30 September 2017 was arrived by adopting the market approach and employing a combination of investment method and comparison method by taking into account of the rental income derived from the existing tenancy with due consideration of their respective market values, which are then discounted for the respective remaining lease term of the tenancy of the properties. There is no change in valuation methodology. As the useful market rental information cannot be assembly for the valuation, market sale transaction will be used to arrive at the reversion value of the property.

The investment properties have been mortgaged to secure general banking facilities granted to the Group.

Fair value measurement:

Fair value measurements are categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1 – unadjusted quoted prices in active markets for identical asset or liabilities

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability

Level 3 – unobservable inputs for the asset or liability

Details of the Group's investment properties and information about the fair value measurements for the Relevant Periods are as follows:

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements				
Commercial properties located in Hong Kong				
31 December 2014	–	–	46,800	46,800
31 December 2015	–	–	49,100	49,100
31 December 2016	–	–	49,400	49,400
30 September 2017	–	–	51,400	51,400

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur. There were no transfers between Level 1 and Level 2 or transfers into or out of Level 3 for years ended 31 December 2014, 2015 and 2016 and nine months ended 30 September 2017.

The fair value measurement for investment properties as at 31 December 2014, 2015 and 2016 and 30 September 2017 is categorised as Level 3 of the fair value hierarchy. The fair value is determined by discounting a projected cash flow associated with the property using discount rates that reflect current market assessment of the uncertainty in the amount and timing of the cash flows.

Key unobservable inputs used in valuing the investment property:

		As at				Inter-relationship between key
			31 December		30 September	unobservable inputs and fair
Valuation technique	**Key unobservable inputs**	**2014**	**2015**	**2016**	**2017**	**value measurement**
Income capitalisation method	Capitalisation rate (per annum)	2.9% – 3.2%	3.3% – 3.4%	3.25% – 3.4%	3.15% – 3.3%	Increase in the capitalisation rate, decrease in fair value of the investment property
	Monthly market rent (per square feet)	HK$42.5	HK$46.5	N/A	N/A	Increase in monthly market rent, increase in fair value of the investment property
	Market unit value per square feet	N/A	N/A	HK$17,000	HK$17,500	Increase in market unit value, increase in fair value of the investment property

The movements during the Relevant Period in the balance of the Level 3 fair value measurements are as follows:

	HK$'000
At 1 January 2014	45,400
Unrealised gain from fair value adjustment included in profit or loss – Increase in fair value of investment properties	1,400
At 31 December 2014 and 1 January 2015	46,800
Unrealised gain from fair value adjustment included in profit or loss – Increase in fair value of investment properties	2,300
At 31 December 2015 and 1 January 2016	49,100
Unrealised gain from fair value adjustment included in profit or loss – Increase in fair value of investment properties	300
At 31 December 2016 and 1 January 2017	49,400
Unrealised gain from fair value adjustment included in profit or loss – Increase in fair value of investment properties	2,000
At 30 September 2017	51,400

The gains recognised in profit or loss for the Relevant Periods arise from the investment properties held at the end of each reporting period.

20 INVENTORIES

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trading inventories	48,745	60,937	116,021	197,712

21 TRADE RECEIVABLES

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	94,040	172,725	308,403	532,438
Less: allowance for impairment	–	(2,119)	(2,119)	(2,119)
	94,040	170,606	306,284	530,319

The Group's trading terms with its customers are mainly on open account terms, except for new customers, where payment in advance is normally required. The balance of the business is on open account terms which is often covered by customers' letters of credit or is factored to external financial institutions. The credit terms vary from 1 day to 120 days after monthly statement. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by management. Trade receivables are non-interest-bearing and their carrying amounts approximate to their fair values.

The following is an ageing analysis of trade receivables based on the invoice date:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	64,159	93,649	164,683	271,763
31 – 60 days	17,594	59,012	107,463	124,315
61 – 90 days	8,007	17,729	22,455	59,032
More than 90 days	4,280	2,335	13,802	77,328
	94,040	172,725	308,403	532,438
Less: Allowance for impairment	–	(2,119)	(2,119)	(2,119)
	94,040	170,606	306,284	530,319

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$7,059,000, HK$24,162,000, HK$49,135,000 and HK$85,557,000 which are past due as at 31 December 2014, 2015 and 2016 and 30 September 2017 respectively for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the allowance for doubtful debts during the Relevant Period is as follows:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	–	–	2,119	2,119
Impairment loss recognised	–	2,119	–	–
At 31 December/30 September	–	2,119	2,119	2,119

At 31 December 2015 and 2016 and 30 September 2017, trade receivable of HK$2,119,000 was individually determined to be impaired and fully provided for. The individually impaired receivable related to a customer who has financial difficulties and the Group has filed a winding up petition against this customer. The Group does not hold any collateral over the balance.

An aged analysis of the Group's trade receivables which are past due but not impaired is as follows:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Less than 1 month past due	6,703	22,111	42,604	28,253
1 to 3 months past due	356	1,113	6,531	55,302
More than 3 months past due	–	938	–	2,002
	7,059	24,162	49,135	85,557

Trade receivables that were past due but not impaired related to a number of independent customers in respect of which management believes that no impairment allowance is necessary as there has not been a significant change in credit quality up to the date of this report and the balances are still considered fully recoverable. Almost all of the Group's trade receivables which are past due but not impaired as at 30 September 2017 has been received up to the date of this report.

At 31 December 2014, 2015 and 2016 and 30 September 2017, trade receivables of the Group with an aggregate carrying amount of HK$39,019,000, HK$116,608,000, HK$214,476,000 and HK$418,953,000 respectively have been assigned to banks to secure the general banking facilities of the Group.

22 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other receivables	1,060	5,057	3,873	4,278
Deposit for purchase	7,083	7,710	15,243	93,630
Prepayment of listing expenses	288	354	–	2,506
Utilities and other deposits	122	212	380	305
Prepaid expenses	331	591	847	1,789
	8,884	13,924	20,343	102,508

23 BANK BALANCES AND CASH

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash at banks and on hand	17,518	16,128	55,971	64,486
Pledged fixed deposit	–	–	–	1,950
	17,518	16,128	55,971	66,436

Bank balances and cash comprise cash and short-term deposits held with financial institutions and carry interest at prevailing market rates.

As at 31 December 2014, 2015 and 2016 and 30 September 2017, the Group places approximately HK$3,777,000, HK$2,116,000, HK$1,073,000 and HK$183,000 in banks in the PRC, the remittance of which is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

As at 30 September 2017, the fixed deposit of HK$1,950,000 was pledged to secure general banking facilities granted to the Group and it had maturity of three months.

24 TRADE PAYABLES

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	69,141	58,110	159,268	261,634

An ageing analysis of the Group's trade payables presented based on the invoice date at the end of each reporting period, is as follows:

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 30 days	61,378	51,687	147,889	152,989
31 – 60 days	4,120	1,971	9,497	88,332
61 – 90 days	1,726	976	339	18,853
More than 90 days	1,917	3,476	1,543	1,460
	69,141	58,110	159,268	261,634

25 OTHER PAYABLES, ACCRUALS AND DEPOSIT RECEIVED

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other payables and accruals	4,257	8,605	12,229	6,750
Value added tax payables	45	128	259	757
Customer deposit received	724	654	663	2,059
Rental deposit received	345	369	405	405
	5,371	9,756	13,556	9,971

Included in the Group's other payables and accruals at 31 December 2014 is director's emoluments of HK$420,000 payable to Mr. Lee. At 31 December 2015 and 2016 and 30 September 2017, included in other payables and accruals are director's emoluments of HK$1,440,000, HK$3,039,000 and HK$1,179,000 respectively payable to Mr. Lee and salary of HK$600,000, HK$840,000 and HK$500,000 respectively payable to Ms. Lo.

26 AMOUNT DUE TO A DIRECTOR

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due to Mr. Lee	5,751	15,787	2,801	4,055

The amount is non-trade in nature, unsecured, interest-free and has no fixed terms of repayment.

On 21 March 2014, amount due to Mr. Lee of HK$2,999,986 was capitalised by way of AVT International issuing 78,947 shares to Mr. Lee.

On 31 December 2016, amounts of HK$9,000,000 and HK$8,981,000 due to a related company and Ms. Lo respectively were assigned to Mr. Lee.

27 AMOUNT DUE TO RELATED PARTY

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The Group				
Amount due to related party				
Mr. Pai Yi Lin *(note)*	–	–	4,929	–
Mr. CH Lee	–	–	–	1,560
	–	–	4,929	1,560
The Company				
Amount due to a related company				
AVT International Limited	296	300	332	400

Note: Mr. Pai Yi Lin is a director and non-controlling shareholder of subsidiaries of the Group.

The amount is non-trade in nature, unsecured, interest-free and has no fixed terms of repayment.

28 BANK BORROWINGS, SECURED

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities				
Factoring loans	17,256	83,904	146,991	277,545
Other bank loans	21,746	25,725	89,436	211,886
Bank instalment loans				
– portion of loans due for repayment within one year	742	752	2,549	9,184
– portion of loans due for repayment after one year which contain a repayment on demand clause	7,344	6,589	23,458	21,526
Bank overdrafts	–	–	–	136
	47,088	116,970	262,434	520,277

(i) The Group bank loans are carried at amortised cost. None of the portion of the term loans due for repayment after one year which contain a repayment on demand clause and that is classified as current liability is expected to be settled within one year.

(ii) Factoring loans are variable-rate borrowings which carry effective rate (which is also equal to contractual interest rate) of 1.43% to 2.92%, 1.79% to 3.18%, 2.18% to 3.00% and 2.51% to 3.24% respectively per annum at 31 December 2014, 2015 and 2016 and 30 September 2017.

Other bank loans represent import loans, trust receipts loans and revolving loan which are variable-rate borrowings and carry effective interest rate ranging from 1.48% to 2.96%, 1.57%, 2.10% to 3.70% and 2.55% to 4.03% at 31 December 2014, 2015 and 2016 and 30 September 2017 respectively.

Bank instalment loans are variable-rate borrowings and carry effective interest rate of 1.23%, 1.20%, 1.37% to 2.18% and 1.42% to 2.22% at 31 December 2014, 2015 and 2016 and 30 September 2017 respectively.

Bank overdrafts are variable-rate borrowings and carry interest at 0.5% below prime rate per annum.

(iii) During the Relevant Periods, the Group has transferred the collection right of certain trade receivables to financial institutions under factoring agreements, but such transfers do not qualify for derecognition in the combined financial statements. A transferred asset is derecognised when the Group transfers the asset and substantially all the risks and rewards of ownership of the asset to another entity. The factoring facilities are secured by pledge of assets and personal guarantees executed by Mr. Lee, Ms. Lo, Mr. CH Lee and Mr. Pai. Given that the financial institutions are authorized to realise and sell the pledged assets in case of default and guarantee is provided to the transferees, the Group has not transferred the significant risks and rewards relating to the transferred assets to the financial institutions. Accordingly, the transferred assets continue to be recognised in its entirety and the consideration received is recognised as a liability.

The carrying amounts of the transferred assets and their associated liabilities are as follows:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	Trade receivables transferred under factoring agreements	**Trade receivables transferred under factoring agreements**	**Trade receivables transferred under factoring agreements**	**Trade receivables transferred under factoring agreements**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Carrying amount of transferred assets	33,902	106,674	188,763	391,960
Carrying amount of associated liabilities	17,256	83,904	146,991	277,545

(iv) At 31 December 2014 and 2015, the banking facilities of the Group were secured by trade receivables of the Group with an aggregate carrying amount of HK$39,019,000 and HK$116,608,000 respectively, the legal charge over the investment properties of the Group, cash deposit in name of a related company, property of Mr. Lee and properties owned by the companies controlled by Mr. Lee, personal guarantees executed by Mr. Lee and Ms. Lo and corporate guarantee executed by related companies.

At 31 December 2016, the banking facilities of the Group were secured by trade receivables of the Group with an aggregate carrying amount of HK$214,476,000, the legal charge over the investment properties of the Group, leasehold land and buildings of HK$43,361,000 of the Group, property of Mr. Lee and properties owned by the companies controlled by Mr. Lee, personal guarantees executed by Mr. Lee and Ms. Lo and corporate guarantee executed by related companies.

At 30 September 2017, the banking facilities of the Group were secured by trade receivables of the Group with an aggregate carrying amount of HK$418,953,000, the legal charge over the investment properties of the Group, leasehold land and buildings of HK$42,298,000 of the Group, bank deposit of the Group of HK$1,950,000, property of Mr. Lee, properties, securities and deposits owned by the companies controlled by Mr. Lee, insurance policy executed by a related company, personal guarantees executed by Mr. Lee, Ms. Lo, Mr. CH Lee and Mr. Pai, and corporate guarantee executed by related companies.

(v) At 31 December 2014, 2015 and 2016 and 30 September 2017, the bank installment loans were due for repayment as follows, which are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	742	752	2,549	9,184
After one year but within two years	751	762	2,598	2,632
After two years but within five years	2,312	2,342	7,881	7,353
After five years	4,281	3,485	12,979	11,541
	8,086	7,341	26,007	30,710

29 DEFERRED TAX LIABILITIES/(ASSETS)

The components of deferred tax liabilities/(assets) recognised in the Group's combined statements of financial position and the movements thereon during the Relevant Periods are as follows:

	Accelerated tax depreciation	**Provision for impairment**	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
The Group				
Balance at 1 January 2014	86	–	–	86
Charged to profit or loss for the year	1	–	–	1
Balance at 31 December 2014 and 1 January 2015	87	–	–	87
Charged/(credited) to profit or loss for the year	15	(349)	–	(334)
Balance at 31 December 2015 and 1 January 2016	102	(349)	–	(247)
Charged/(credited) to profit or loss for the year	213	349	(9)	553
Balance at 31 December 2016 and 1 January 2017	315	–	(9)	306
Charged/(credited) to profit or loss for the period	(38)	–	9	(29)
Balance at 30 September 2017	277	–	–	277

The deferred tax assets for provision for impairment and tax losses and deferred tax liabilities for accelerated tax depreciation relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the combined statements of financial position.

The following are the major deferred tax assets not recognised in the combined statement of financial position:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other assets	51	9	66	–
Tax loss	–	302	292	689
	51	311	358	689

No deferred tax asset has been recognised in respect of the above items due to unpredictability of future profit streams. At 31 December 2014, 2015 and 2016 and 30 September 2017, the Group has unused tax losses of approximately HK$nil, HK$1,208,000, HK$1,303,000 and HK$2,755,000 respectively available for offset against future profits. Deferred tax asset has been recognised in respect of tax losses of HK$57,000 at 31 December 2016. Other than tax losses of HK$285,000 at 31 December 2016 which may be carried forward indefinitely, other tax losses will expire according to the EIT Law.

30 SHARE CAPITAL

	Number of shares	Amount
		HK$
The Company		
Ordinary shares of HK$0.01 each		
Authorized:		
As at 31 December 2014, 2015 and 2016 and 30 September 2017	38,000,000	380,000
Issued and fully paid:		
As at 31 December 2014, 2015 and 2016 and 30 September 2017	1	0.01
Shown in the Historical Financial Information as at 31 December 2014, 2015 and 2016 and 30 September 2017		–

The Company was incorporated on 4 July 2012 in the Cayman Islands with an authorized share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. At the date of incorporation, 1 share of HK$0.01 each was allotted and issued. Details of movement of the share capital of the Company subsequent to the incorporation date are set out in the subsection headed "Changes in the share capital of our Company" under the section headed "Further Information about our Group" in Appendix VI to the prospectus.

As disclosed in Note 3 of Section B, the Historical Financial Information has been prepared under the merger accounting method in that financial statements of the companies now comprising the Group during the Relevant Periods were combined as if the Group existed on 1 January 2014.

For the purpose of this report, the share capital balance as presented in the combined statements of financial position of the Group at 31 December 2014 and 2015 represented the aggregate of issued share capital of the Company and Apex Team and the amount of shares of AVT International held by Mr. Lee. On 20 January 2016, shares of AVT International held by Mr. Lee were transferred to Apex Team. At 31 December 2016 and 30 September 2017, the share capital balance as presented in the combined statements of financial position of the Group represented the aggregate issued share capital of the Company and Apex Team.

Pursuant to the Reorganisation completed on 15 February 2018, the Company became the holding company of the companies now comprising the Group.

31 RESERVES

The Group

The amounts of the Group's reserves and the movements therein during the Relevant Periods are presented in the combined statements of changes in equity.

The Company

	Accumulated losses
	HK$'000
At 1 January 2014	(211)
Loss and comprehensive loss for the year	(80)
At 31 December 2014 and 1 January 2015	(291)
Loss and comprehensive loss for the year	(5)
At 31 December 2015 and 1 January 2016	(296)
Loss and comprehensive loss for the year	(11)
At 31 December 2016 and 1 January 2017	(307)
Loss and comprehensive loss for the period	(81)
At 30 September 2017	(388)

32 RETIREMENT BENEFIT SCHEMES

The Group participates in a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the Group and its employees are each required to make contributions to the scheme at 5% of the employees' monthly relevant income. With effective from 1 June 2014, the cap of monthly relevant income was changed from HK$25,000 to HK$30,000. Contributions to the scheme vest immediately. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees.

In accordance with the rules and regulations in the PRC, the company of the Group in the PRC participates in defined contribution retirement schemes organised by the relevant local government authorities for its employees. This subsidiary is required to contribute certain percentage of the employees' basic salaries and wages to the schemes. The local government authorities undertake to assume the retirement benefits obligations of all existing and future retired employees of this subsidiary. The only obligation of this subsidiary with respect to the scheme is to meet the required contributions under the scheme.

Total contributions paid or payable to the retirement benefit schemes by the Group amounted to HK$884,000, HK$856,000, HK$1,075,000, HK$744,000 (unaudited) and HK$1,342,000 for each of the years ended 31 December 2014, 2015 and 2016 and nine months ended 30 September 2016 and 2017 respectively, which had been recognised as expense and included in staff costs in the combined statements of profit or loss and other comprehensive income.

The Group has no other material obligation for payment of retirement benefits beyond the contributions as described above.

33 OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of leased properties which fall due as follows:

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	582	1,472	537	1,643
In the second to fifth years, inclusive	–	620	–	889
	582	2,092	537	2,532

Operating lease payments mainly represent rentals payable by the Group for its office premises and warehouse in Hong Kong and the PRC. Leases are negotiated for an average term of 1 – 2 years with rentals fixed at the date of signing of lease agreements and do not include contingent rentals.

The Group as lessor

The Group leases its investment properties under operating lease arrangements. The lease of the investment properties is negotiated for a term of 3 years. The lease agreements do not include an extension option. As at 31 December 2014, 2015 and 2016 and 30 September 2017, the Group had contracted with tenants for the following minimum lease payments.

	As at 31 December			As at 30 September
	2014	**2015**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,452	369	1,620	1,701
In the second to fifth years, inclusive	369	–	2,187	891
	1,821	369	3,807	2,592

34 MAJOR NON-CASH TRANSACTION

On 21 March 2014, amount due to Mr. Lee of HK$2,999,986 was capitalised by way of AVT International issuing 78,947 new shares to Mr. Lee.

On 31 December 2016, amounts of HK$9,000,000 and HK$8,981,000 due to a related company and Ms. Lo respectively were assigned to Mr. Lee.

35 ACQUISITION OF NON-CONTROLLING INTERESTS

On 19 June 2017, the Group acquired additional 21% interest in Data Star from CH Lee, a non-controlling shareholder of Data Star at cash consideration of approximately HK$2,183,000, increasing its interest in Data Star from 51% to 72%. The carrying value of the net assets of Data Star and its subsidiary, Ascent Way was HK$23,319,000 at the date of acquisition. The additional interest acquired by the Group is as follows:

	HK$'000
Cash consideration paid to non-controlling shareholder	2,183
Carrying value of the additional interest acquired	4,897
Gain on acquisition recognised in equity	2,714

36 NON WHOLLY-OWNED SUBSIDIARIES OF THE COMPANY

The table below shows details of non-wholly owned subsidiary of the Group that has material non-controlling interests:

Name of Subsidiary	Place of incorporation/ operation	Proportion of ownership interests and voting Rights held by non-controlling interests			
		As at 31 December			As at 30 September
		2014	2015	2016	2017
Ascent Way	Hong Kong	–	–	49%	28%

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit/(loss) allocated to non-controlling interests	–	–	5,103	595	8,437

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accumulated non-controlling interests	–	–	5,103	8,689

Summarised financial information in respect of Ascent Way is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Summarised statement of financial position of Ascent Way

	As at 31 December			As at 30 September
	2014	2015	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets	–	–	29	23
Current assets	–	–	89,112	346,775
Current liabilities	–	–	(78,723)	(315,763)
Net current assets	–	–	10,389	31,012
Total assets less current liabilities	–	–	10,418	31,035
Non-current liabilities	–	–	(5)	(4)
Total equity	–	–	10,413	31,031
Attributable to				
– the Group	–	–	5,310	22,342
– non-controlling interests	–	–	5,103	8,689

Summarised statement of profit or loss and other comprehensive income of Ascent Way

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	–	–	342,964	133,828	952,754
Gross profit	–	–	19,247	3,851	32,417
Other incomes	–	–	1	1	373
Expenses	–	–	(6,777)	(2,396)	(8,011)
Profit before tax	–	–	12,471	1,456	24,779
Income tax expenses	–	–	(2,058)	(241)	(4,161)
Profit for the year/period	–	–	10,413	1,215	20,618
Profit and total comprehensive income attributable to:					
– the Group	–	–	5,310	620	12,181
– non-controlling interests	–	–	5,103	595	8,437
	–	–	10,413	1,215	20,618
Dividends paid to non-controlling interests	–	–	–	–	–

Summarised statement of cash flows of Ascent Way

	Year ended 31 December			Nine months ended 30 September	
	2014	2015	2016	2016	2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Net cash inflow/(outflow) from operating activities	–	–	6,717	1,256	(70,812)
Net cash outflow from investing activities	–	–	(33)	(33)	–
Net cash inflow from financing activities	–	–	16,853	–	99,007
Net increase in cash and cash equivalents	–	–	23,537	1,223	28,195
Cash and cash equivalents at beginning of the year/period	–	–	–	–	23,537
Cash and cash equivalents at end of the year/period	–	–	23,537	1,223	51,732

Financial support

As at 30 September 2017, AVT International has issued financial guarantee to banks in respect of banking facilities granted to Ascent Way.

37 RELATED PARTY TRANSACTIONS

In addition to the balances with related parties set out in the combined statements of financial position and respective notes, the Group had the following material transactions with related parties during the Relevant Periods:

(a) Transactions with related parties

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Mr. Lee Bing Kwong *(note i)*					
– Rental paid	748	782	774	582	578
Nicegoal Limited *(note ii)*					
– Rental paid	600	664	638	522	–

Note:

(i) The rental expenses were based on the tenancy agreement entered by the Group and Mr. Lee.

(ii) Nicegoal Limited is controlled by Mr. Lee. The rental expenses were based on the tenancy agreement entered by the Group and Nicegoal Limited.

The Group acquired equity interests in Able System and I-Sky held by Ms. Lo, spouse of Mr. Lee at consideration of US$1 during the year ended 31 December 2015 and HK$1 during the year 31 December 2016, respectively.

For the nine months ended 30 September 2017, the Group disposed its interest in Able System to Mr. Lee at US$2.

CH Lee, son of Mr. Lee held 29 shares of Data Star or 29% interests in Data Star at 31 December 2016. On 19 June 2017, CH Lee transferred 21 shares of Data Star to Apex Team and 8 shares of Data Star to Mr. Pai, in consideration of approximately HK$2,183,000 and HK$832,000 respectively. Profit and total comprehensive income of the Group in FY2016 and FP2017 attributable to CH Lee amounted to approximately HK$3,015,000 and HK$3,748,000 respectively and total equity attributable to CH Lee at 31 December 2016 and at the date of disposal amounted to approximately HK$3,015,000 and HK$6,762,000 respectively.

The banking facilities of the Group were secured by securities and cash deposit in name of a related company, property of Mr. Lee, properties of the related companies, insurance policy executed by a related company, personal guarantees executed by Mr. Lee, Ms. Lo, Mr. CH Lee and Mr. Pai and corporate guarantee executed by related companies. Details of which were set out in note 28.

For the nine months ended 30 September 2017, the Group issued the following guarantees in respect of banking facilities granted to two related companies which are controlled by Mr. Lee.

– guarantee limited to HK$86,000,000 plus default interest and other costs and expenses among the Group and three related companies which are controlled by Mr. Lee; and

– guarantee with unlimited amount from between the Group and a related company which is controlled by Mr. Lee.

(b) Compensation of key management personnel and related party

Remuneration for key management personnel of the Group, including the amounts paid to the Company's director as disclosed in note 15(a) is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*
				(Unaudited)	
Short-term employee benefits	2,153	2,534	5,042	2,011	2,936
Contributions to defined contribution retirement benefits scheme	61	58	54	41	140
	2,214	2,592	5,096	2,052	3,076

During the Relevant Period, short-term benefits and post-employment benefits for close family members of Mr. Lee paid and contributed by the Group are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2014	**2015**	**2016**	**2016**	**2017**
	HK\$'000	*HK\$'000*	*HK\$'000*	*HK\$'000*	*HK\$'000*
				(Unaudited)	
Short-term employee benefits	–	745	420	315	315
Contributions to defined contribution retirement benefits scheme	–	2	9	7	35
	–	747	429	322	350

38 CONTINGENT LIABILITIES

As at 31 December 2014, 2015 and 2016, the Group did not have any material contingent liabilities.

As at 30 September 2017, the Group gave guarantees to a bank to secure general banking facilities granted to related companies. Details of such guarantees are set out in note 37. In the opinion of directors of the Company, the fair value of the guarantees of the inception was not significant. Such banking facilities utilised by the related companies as at 30 September 2017 amounted to HK$31,763,000.

39 SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 September 2017:

(a) In preparation for the listing of the Company's shares in the Main Board of the Stock Exchange, the companies now comprising the Group underwent the Reorganisation to rationalise the Group's structure. The Reorganisation was completed on 15 February 2018. As a result of the Reorganisation, the Company became the holding company of the Group. Details of the Reorganisation are set out in the subsection headed "The Reorganisation" under the section headed "History, Reorganisation and Group Structure" in the prospectus.

(b) On 15 February 2018, the authorized share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of an additional 1,962,000,000 shares of HK$0.01 each.

Save as aforesaid, no other significant events took place subsequent to 30 September 2017.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2017.

The information set forth in this appendix does not form part of the Accountant's Report prepared by Graham H.Y. Chan & Co., Certified Public Accountants, Hong Kong, the reporting accountant of the Company, 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 Accountant's Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted combined net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering on the combined net tangible assets of the Group attributable to the owners of the Company as at 30 September 2017 as if the Global Offering had taken place on that date.

This statement of unaudited pro forma adjusted combined 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 combined net tangible assets of the Group attributable to owners of the Company had the Global Offering been completed on 30 September 2017 or at any future dates. It is prepared based on the audited combined net assets of the Group attributable to owners of the Company as at 30 September 2017 as set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 30 September 2017	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company**	**Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share**
	(Note 1)	*(Note 2)*		*(Note 3)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on Offer Price of HK$0.40 per share	175,099	83,885	258,984	0.26
Based on Offer Price of HK$0.58 per share	175,099	127,085	302,184	0.30

Notes:

(1) The audited combined net tangible assets of the Group attributable to the owners of the Company as at 30 September 2017 is based on the audited combined net assets of the Group attributable to the owners of the Company as at 30 September 2017 of approximately HK$175,099,000 and is extracted from the Accountants' Report set out in Appendix I to this prospectus.

(2) The adjustment to the pro forma statement of net tangible assets reflects the estimated net proceeds from the Global Offering to be received by the Company. The estimated net proceeds from the Global Offering are based on 250,000,000 Offer Shares at the Offer Price range of lower limit and upper limit of HK$0.40 and HK$0.58 per Offer Share, respectively, after deduction of relevant estimated underwriting fees and other related fees and expenses payable by the Company in connection with the Global Offering (excluding listing expenses which have been recognised in profit or loss prior to 30 September 2017). The calculation of estimated net proceeds does not take into account of any Offer Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible asset of the Group attributable to owners of the Company per Share is determined after the adjustments as described in note 2 above and on the basis that 1,000,000,000 Shares are issued assuming that the Global Offering and the Capitalisation Issue had been completed on 30 September 2017. It does not take into account of any Offer Shares which may be issued upon the exercise of the Over-allotment Option.

(4) No adjustment has been made to reflect any trading results or other transaction of the Group entered into subsequent to 30 September 2017.

(5) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company as at 30 September 2017 does not take into account the dividends declared by the Group in February 2018, details of which are disclosed in the paragraph headed "Financial Information – Dividend" in this Prospectus.

Taking into account of the impact of dividends declared to the beneficial owner of the Group of HK$16.0 million and estimated net proceeds from the Global Offering at the Offer Price range of lower limit and upper limit of HK$0.40 and HK$0.58 per Offer Share, the unaudited pro forma adjusted combined net tangible assets of the Group attributable to the owners of the Company will be approximately HK$243,009,000 and HK$286,209,000, respectively. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share after taken into account of such dividends declared by the Group and estimated net proceeds from the Global Offering at the Offer Price range of lower limit and upper limit of HK$0.40 and HK$0.58 per Offer Share, will be HK$0.24 per Share and HK$0.29 per Share, respectively.

事務所 會計師 陳浩賢
GRAHAM H. Y. CHAN & CO.
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)
HONG KONG

Rooms 3719-26, 37/F.,
Sun Hung Kai Centre,
30 Harbour Road,
Wanchai,
Hong Kong

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF APEX ACE HOLDING LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Apex Ace Holding Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at 30 September 2017 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 28 February 2018 (the "Prospectus"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of the Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Global Offering (as defined in the Prospectus) on the Group's financial position as at 30 September 2017 as if the Global Offering had taken place at 30 September 2017. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's combined financial statements for the nine months ended 30 September 2017, on which an accountant's report set out in Appendix I has been published.

Directors' Responsibilities for the unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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" issued by the HKICPA 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 Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purpose of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Global Offering at 30 September 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

Yours faithfully,

Graham H.Y. Chan & Co.
Certified Public Accountants
Hong Kong

28 February 2018

The estimate of our combined profit attributable to equity shareholders of the Company for the year ended 31 December 2017 is set out in the section headed "Financial Information – Profit estimate".

BASES

Our Directors have prepared the estimate of the profit of our Group for the year ended 31 December 2017 (the "Profit Estimate") on the basis of the audited combined results of our Group for the nine months ended 30 September 2017 and unaudited combined results of the Group for the remaining three 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 our Group as set forth in note 5 in the Appendix I to this listing document. In the absence of unforeseen circumstances, our Directors estimate that the combined profit attributable to owners of the Company for the year ended 31 December 2017 will be no less than HK$33.3 million.

(A) LETTER FROM THE REPORTING ACCOUNTANTS ON THE PROFIT ESTIMATE

The following is the text of the letter received by the Directors from our reporting accountants, Graham H.Y. Chan & Co., Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus in connection with the profit estimate for the year ended 31 December 2017.

陳浩賢會計師事務所
GRAHAM H. Y. CHAN & CO.
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)
HONG KONG

Rooms 3719-26, 37/F.,
Sun Hung Kai Centre,
30 Harbour Road,
Wanchai,
Hong Kong

28 February 2018

The Board of Directors
Apex Ace Holding Limited

Ample Capital Limited

Dear Sirs,

Apex Ace Holding Limited (the "Company")

Profit Estimate for the year ended 31 December 2017

We refer to the estimate of the combined profit of the Company and its subsidiaries (collectively referred to as the "Group") attributable to owner of the Company for the year ended 31 December 2017 ("the Profit Estimate") set forth in the section headed "Appendix III – Profit Estimate" 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 combined results of the Group for the nine months ended 30 September 2017 and the unaudited combined results based on the management accounts of the Group for the remaining three 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.

The 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" issued by the HKICPA 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 of the Company and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors of the Company as set out in Appendix III 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,

Graham H.Y. Chan & Co.
Certified Public Accountants (Practising)
Hong Kong

(B) LETTER FROM THE SPONSOR

AmCap
Ample Capital Limited
豐盛融資有限公司
Ample Capital Limited
Unit A, 14th Floor, Two Chinachem Plaza
135 Des Voeux Road Central, Hong Kong

28 February 2018

The Directors
Apex Ace Holding Limited

Dear Sirs,

We refer to the estimate of consolidated profit attributable to equity shareholders of Apex Ace Holding Limited (the "**Company**") for the year ended 31 December 2017 (the "**Profit Estimate**"), for which the Directors of the Company (the "**Directors**") are solely responsible, as set out in the section headed "Financial Information" in the listing document of the Company dated 28 February 2018 (the "**Listing Document**").

The Profit Estimate has been prepared by the Directors based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the nine months ended 30 September 2017 as set out in the Accountants' Report in Appendix I to the Listing Document and the unaudited consolidated results shown in the management accounts of the Group for the three months ended 31 December 2017.

We have discussed with you the bases made by the Directors as set out in Appendix III to the Listing Document, upon which the Profit Estimate has been made. We have also considered the letter dated 28 February 2018 addressed to yourselves and ourselves from Graham H. Y. Chan & Co. 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 Graham H. Y. Chan & Co., we are of the opinion that the Profit Estimate, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Ample Capital Limited
H. W. Tang
President

The following is the text of a letter, summary of values and valuation certificate, prepared for the purpose of incorporation in this prospectus received from International Valuation Limited, an independent valuer, in connection with its valuation as at 31 December 2017 of the property interests of the Group.

Room 1213
12/F, Houston Centre
63 Mody Road, Tsim Sha Tsui
Kowloon, Hong Kong

International Valuation Limited
國際評估有限公司

Date: 28 February 2018

The Board of Directors
Apex Ace Holding Limited
Units 2-3, 1st Floor,
Sun Cheong Industrial Building,
No. 1 Cheung Shun Street,
Cheung Sha Wan, Kowloon,
Hong Kong Special Administrative Region

Dear Sirs,

INSTRUCTIONS

In accordance with the instructions to us to value property interests held by Apex Ace Holding Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") in Hong Kong Special Administrative Region ("Hong Kong") and the People's Republic of China (the "PRC") (details of the properties are more particularly listed in the Summary of Values of this report), we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interests as at 31 December 2017 (the "valuation date").

This letter which forms parts of our valuation report explains the basis and methodology of valuation and clarifies our assumptions made, titleship of property and the limiting conditions.

PREMISES OF VALUE

The valuation is our opinion of market value which is defined by the International Valuation Standards of the International Valuation Standards Council and followed by the Hong Kong Institute of Surveyors as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

BASIS OF VALUATION

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, the HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors and the International Valuation Standards published from time to time by the International Valuation Standards Council.

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

Our valuation also excludes potential tax liability which might arise if the assets were to be sold/ acquired at the valuation date, including but not limited to profit tax, business tax, land appreciation tax, capital gain tax, stamp duty and any other relevant taxes prevailing at the valuation date.

Moreover, our valuation does not include machinery and equipment, inventories, office furniture, equipment, supplies, inventories and spare parts and other all other tangible assets of a current nature and intangible assets which might exist.

In valuing properties in Hong Kong, the Government Leases of which expired before 30 June 1997, we have taken account of the statement contained in Annex III of the Joint Declaration of the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the People's Republic of China on the question of Hong Kong and the New Territories Leases (Extension) Ordinance 1988 that such leases had been extended without premium until 30 June 2047 and that a revised annual rent equivalent to 3% of the rateable value for the time being was charged from the date of extension.

CATEGORISATION OF PROPERTY INTERESTS

In the course of our valuation, the appraised property interests have been categorised according firstly to type of interests and then country where it is located, which in turn being classified into the below groups:

Group I – Property interests owned and held by the Group for investment in Hong Kong

Group II – Property interests owned and occupied by the Group in Hong Kong

Group III – Property interests owned and occupied by the Group in the PRC

VALUATION METHODOLOGY

Property No. 1 of Group I is held by the Group for investment in Hong Kong and it had been leased out to an independent third party. Property Nos. 2 & 3 of Group II are held by the Group for owner occupation in Hong Kong under 2 intra-group leases. We have valued the property interests of Groups I & II in their existing state and subject to their existing tenancies. In the course of our valuation, we have adopted both market and income approaches and employed a combination of investment method and comparison method to find out their respective term and reversion values, which are then cross-checked with the available strata-title transaction. In assessing the term value, we have relied on the respective tenancy information provided by the Group and capitalised the net monthly rental income payable under the respective tenancy agreements at an adopted term yield. Whilst in assessing the reversion value, sale transaction of comparable units as available in the market, especially those within subject developments, have been assembled and analysed.

Appropriate adjustments are made for the differences in location, time, building age, size, level, conditions, pedestrian flow, frontage, etc., between the comparable properties and the respective properties. The respective adjusted market values were then discounted for the respective remaining lease term of the tenancy of the properties. The discounted values are the reversion value for the respective properties in question. Then we added up the respective term and reversion values. The respective sum is the market value of the respective property interests of Groups I & II, in their existing state and subject to existing tenancies, as at the valuation date.

The adopted term yield and discounted rate reflect the size, quality and market position of the respective properties together with their existing tenant, lease covenants, the then market conditions and costs of borrowing.

Property Nos. 4 & 5 of Group III are held by the Group for owner-occupation in the PRC. We have valued them in their existing state and assuming with the immediate benefit of vacant possession. In the course of our valuation, we have adopted market approach and made use of comparison method with reference to comparable sales evidence, especially those within subject developments and asking price as available in the relevant market subject to suitable adjustments between the respective properties and the comparable properties.

TITLE INVESTIGATION

We have been provided by the Group with copy of extract of the title documents and tenancy agreements relating to the property interests. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any amendments which may not appear on the copies handed to us.

We have caused searches to be made at the Hong Kong Land Registry in relation to the property interests located in the Hong Kong. However, we have not searched the original documents to verify ownership or to ascertain any amendment. Due to the current registration system of the PRC under which the registration information is not accessible to the public, no investigation has been made for the title of the property interests in the PRC and the material encumbrances that might be attached. In the course of our valuation, we have relied considerably on the legal opinion given by the Company's PRC legal adviser – ETR Law Firm (廣東廣信君達律師事務所), concerning the validity of title and material encumbrances of the properties in the PRC.

SITE INVESTIGATION

We have inspected the exterior and, where possible, the accessible portions of the interior of the properties being appraised. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services. We are, therefore, not able to report whether the properties are free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the properties taking into account the general appearance, the apparent standard and age of fixtures and fittings and the existence of utility services. Hence it must be stressed that we are not in a position to report to you whether the buildings/structures in question are free from defects or as to the possibility of latent defects which might affect our valuation. In the course of our inspection, we did not note any serious defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect. Unless otherwise stated, we have assumed that there was not any alteration and addition works being carried out within the properties, as at the valuation date.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverized fly ash, or any other deleterious material has been used in the construction of the properties. We are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that deleterious material has not been used in the construction of the properties.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the property interests. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the properties or on adjoining or neighbouring land or that the properties had been or are being put to contaminated use, we reserve right to revise our opinion of value.

Moreover, we have not been commissioned to carry out detailed site measurements to verify the correctness of the land or building areas in respect of the properties but have assumed that the areas provided to us are correct. Based on our experience of valuation of similar properties, we consider the assumptions so made to be reasonable.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Group or the Group's legal or other professional advisers, in particular, but not limited to, statutory notices, planning approvals, zoning, easements, tenure, completion date of building, identification of property, particulars of occupation, site areas, floor areas (including the registered gross floor area and planned gross floor area), matters relating to tenure, tenancies and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore approximations and for reference only. We have not searched original plans, developer brochures and the like to verify them.

We have taken every reasonable care to examine the information provided to us and also to make relevant enquiries. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group or the Group's legal or other professional advisers, which is material to the valuation. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

VALUATION ASSUMPTIONS

For the properties which are held under long term land use rights, we have assumed that transferable land use rights in respect of the property interests at nominal land use fees has been granted and that any premium payable has already been fully settled. Unless stated as otherwise, we have assumed that the title owner of the properties have an enforceable title of the property interests and have free and uninterrupted rights to occupy, use, sell, lease, charge, mortgage or otherwise dispose of the properties without the need of seeking further approval from and paying additional premium to the Government for the unexpired land use term as granted. Unless otherwise stated in the report, vacant possession is assumed for the properties concerned.

Moreover, we have assumed that the design and construction of the properties are/will be in compliance with the local planning regulations and requirements and had been/would have been duly examined and approved by the relevant authorities.

Unless otherwise stated in the report, no environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. In addition, it is assumed that the utilisation of the land and improvements are within the boundaries of the respective developments described and that no encroachment or trespass exists, unless noted in the report.

We have not undertaken a survey to determine whether the mechanical and electrical systems within the properties (or the building(s) or development(s) in which they are located) would be adversely affected after the year 2000 and as such have assumed that the properties and those systems were or would be unaffected.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their value.

We have further assumed that the properties were not transferred or involved in any contentious or non-contentious dispute as at valuation date. The properties can be sold freely to both local and overseas purchasers. We have also assumed that there was not any material change of the properties in between dates of our inspection and the valuation date.

LIMITING CONDITIONS

Where the property is located in a relatively under-developed market, such as the PRC, those assumptions are often based on imperfect market evidence. A range of values may be attributable to the property depending upon the assumptions made. While the valuer has exercised his professional judgement in arriving at the value, investors/report readers are urged to consider carefully the nature of such assumptions that are disclosed in the valuation report and should exercise caution in interpreting the valuation report.

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

CURRENCY

Unless otherwise stated, all amounts are denominated in Hong Kong Dollar (HK$). The exchange rate adopted in our valuations is HK$1 = RMB0.8359 which was the approximate exchange rate prevailing as at the valuation date. Our summary of values and valuation certificate are attached herewith.

Yours faithfully,
For and on behalf of
International Valuation Limited
Sr K L Yuen *MRICS MHKIS*
Registered Professional Surveyor
(General Practice)
General Manager – Real Estate

Note: Mr. K L Yuen is a Chartered Valuation Surveyor and a Registered Professional Surveyor (General Practice), who has more than 15 years' experience in the valuation of properties in the PRC, Hong Kong, New York and the South East Asia. Mr. K L Yuen is also a valuer on the List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the HKIS.

SUMMARY OF VALUES

Group I: Property interests owned and held by the Group for investment in Hong Kong

	Property	Capital value in existing state as at 31 December 2017	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 31 December 2017
		HK$		*HK$*
1.	Factory No. 8 on Ground Floor, Elite Industrial Centre, No. 883 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong	51,600,000	100%	51,600,000
	Sub-total:	**51,600,000**	**Sub-total:**	**51,600,000**

Group II: Property interests owned and occupied by the Group in Hong Kong

	Property	Capital value in existing state as at 31 December 2017 *HK$*	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 31 December 2017 *HK$*
2.	Unit Nos. 2 & 3 on First Floor, Sun Cheong Industrial Building, No. 1 Cheung Shun Street, Nos. 2-4 Cheung Yee Street, Cheung Sha Wan, Kowloon, Hong Kong	45,030,000	100%	45,030,000
3.	Car Parking Space No. G5 on Ground Floor, Sun Cheong Industrial Building, No. 1 Cheung Shun Street, Nos. 2-4 Cheung Yee Street, Cheung Sha Wan, Kowloon, Hong Kong	2,870,000	100%	2,870,000
	Sub-total:	**47,900,000**	**Sub-total:**	**47,900,000**

Group III: Property interests owned and occupied by the Group in the PRC

	Property	Capital value in existing state as at 31 December 2017 *HK$*	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 31 December 2017 *HK$*
4.	Unit No. 2006 (F) on Level 20, Shanghai Industrial Investment Building, No. 18 Caoxi North Road, Xujiahui Sub-district Office, Xuhui District, Shanghai Municipality, The PRC	5,160,000	100%	5,160,000
5.	Unit No. 602 on Level 6, Block 2, Zone III, Golden Times, No. 1587 Chonghua Road, High-Tech New Zone, Jinan Shi, Shandong Province, the PRC	2,060,000	100%	2,060,000
	Sub-total:	**7,220,000**	**Sub-total:**	**7,220,000**
	Grand-total:	**106,720,000**	**Grand-total:**	**106,720,000**

VALUATION CERTIFICATE

Group I: Property interests owned and held by the Group for investment in Hong Kong

	Property	Description and tenure	Particular of occupancy	Capital value in existing state as at 31 December 2017 *HK$*
1.	Factory No. 8 on Ground Floor, Elite Industrial Centre, No. 883 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong 45/3414th equal undivided shares of and in New Kowloon Inland Lot No. 5944	The property comprises a workshop unit on Ground Floor of a 13-storey industrial building built over one level of basement carport. The building was completed in about 1986. As scaling off the subject registered floor plan, the property extends to an approximate saleable area of 2,274 sq.ft. (211.26 sq.m.). The Property is held under Conditions of Sale No. UB11707 for a term of 99 years from 1 July 1898. By virtue of Section 6 of the New Territories Leases (Extension) Ordinance, the said lease term has been extended until 30 June 2047 without payment of additional premium but at a revised annual rent equivalent to 3% of the rateable value for the time being of the Lot from the date of extension.	The property has been leased out to an independent third party for a term of 3 years commencing from 1 April 2016 with monthly rent of HK$135,000 and HK$148,500 for the 1st & 2nd years and final year respectively (exclusive of government rent, rates and management fees). We have been informed that as at the valuation date, the property was occupied by the third party as a canteen.	51,600,000 *(100% interest attributable to the Group: 51,600,000)*

Notes:

Ownership of the property

1. According to the records obtained from the Hong Kong Land Registry, the registered owner of the property as at the valuation date, was AVT International Limited.

Interests held by the Company in the property

2. As at the valuation date, AVT International Limited held a legal title to the property via an assignment dated 15 March 2010 vide Memorial No. 10041400960050 for a consideration of HK$22,500,000.

3. Pursuant to a stamped tenancy agreement made between AVT International Limited and The True Boss Limited dated 8 March 2016, the property had been leased out to the latter party for a term of 3 years commencing from 1 April 2016 with monthly rent of HK$135,000 and HK$148,500 for the 1st & 2nd years and final year respectively (exclusive of government rent, rates and management fees) plus an option to renew for a further term of 1 year at a monthly rent of HK$148,500.

4. Landlord of the property, AVT International Limited, is a wholly-owned subsidiary of the Company.

5. Tenant of the property, The True Boss Limited, is an independent third party which is not connected with and is independent of, any directors, chief executives or the substantial shareholders of the Company or any of its subsidiaries and/or their respective associates.

Material Encumbrances

6. According to the records obtained from the Hong Kong Land Registry, the property was subject to the following material encumbrances as at the valuation date:

   – Occupation Permit No. NK26/86 dated 9 May 1986 vide Memorial No. UB3054344.

   – Deed of Mutual Covenant with Plan dated 28 May 1986 vide Memorial No. UB3070579.

   – Management Agreement in favour of Againrate Estate Management Limited "The Manager" dated 28 May 1986 vide Memorial No. UB3070580.

   – Memorandum of Alteration of Undivided Shares dated 28 May 1986 vide Memorial No. UB3124234.

   – Mortgage in favour of DBS Bank (Hong Kong) Limited dated 15 March 2010 vide Memorial No. 10041400960067.

   – Assignment of Rentals in favour of DBS Bank (Hong Kong) Limited dated 15 March 2010 vide Memorial No. 10041400960077.

7. The property is also subject to a waiver letter issued by Land Officer/Kowloon of the Registrar General's Department (The Land Office) dated 13 December 1990 and in favour of the then registered owner of the property, Must Good Investments Limited. Under which, the property had been permitted to use for the purpose of a canteen during the lifetime of the existing building in question.

8. The property is subject to a rectification letter issued by District Lands Officer/Kowloon West dated 26 March 2013 to AVT International Limited. Under which, AVT International Limited had been required to purge certain breaches as stated in the aforesaid letter on or before 23 April 2013. We have further been informed by the Group that Tenant of the property had taken some remedial actions to rectify the aforesaid breaches by the end of April 2013. As at the valuation date, the Group had not yet received any letter from District Lands Officer/Kowloon West to cancel the subject wavier for the reason of failure of purging of the breaches. In this regard, we have assumed, in the course of our valuation that the aforesaid breaches had been rectified satisfactorily.

Land Use Zoning of the property

9. As at the valuation date, the building fell within an area zoned for "Other Specified Uses (Business)" on Cheung Sha Wan Outline Zoning Plan No. S/K5/37 dated 16 December 2016.

Inspection of the property

10. The property was last inspected by Sr K L Yuen, MRICS MHKIS RPS(GP) on 21 March 2017.

11. We have inspected the exterior and, where possible, the accessible portions of the interior of the property. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services, but in the course of our inspection, we did not note any serious defects. We are, therefore, not able to report whether the property is free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the property taking into account the general appearance, the apparent standard and age of fixtures and fittings. In the course of our valuation, we have assumed that the property is structural sound, free from defects or as to the possibility of latent defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are also free from defect.

Major assumptions of valuation

12. Our key assumptions of the valuation are:

Market Value (HK$/sq.ft.(g))	**Term Yields (per annum)**	**Discount Rate (per annum)**
17,500	3.05% & 3.10%	5.00%

In the course of our valuation, we have made reference to sales transaction and asking prices of ground floor workshop within the subject locality as well as similar properties within the same district. The major unit prices range from HK$15,000 per sq.ft (g) to HK$20,000 per sq.ft.(g).

We have also assembled and analysed investment yield of relevant market segment and noted that the investment yield of similar properties are generally within a range of 2.40% to 3.20%. Discount rate has been made reference to the Hong Kong Dollar prime rate adopted by Hang Seng Bank as at the valuation date, i.e. 5.00%.

The above market value assumed by us are consistent with the relevant market comparables after due adjustments. The term yields and discount rate adopted are considered to be reasonable with regard to the analysed investment yield and the Hong Kong Dollar prime rate adopted by Hang Seng Bank respectively after due adjustments.

Valuation remarks

13. We observed during our inspection that the original toilets had been relocated. In absence of evidence to show the contrary and in view of the minor scale of such alteration and addition works, we have not taken into account of the reinstatement costs in question, in the course of our valuation.

Group II: Property interests owned and occupied by the Group in Hong Kong

	Property	Description and tenure	Particular of occupancy	Capital value in existing state as at 31 December 2017 *HK$*
2.	Unit Nos. 2 & 3 on First Floor, Sun Cheong Industrial Building, No. 1 Cheung Shun Street, Nos. 2-4 Cheung Yee Street, Cheung Sha Wan, Kowloon, Hong Kong 25/830th equal undivided shares of and in New Kowloon Inland Lot No. 5589	The property comprises 2 adjoined workshop units on First Floor of a 13-storey (including Mezzanine Floor) industrial building. The building was completed in about 1977. As scaling off the subject registered floor plan, the property extends to an approximate saleable area of 7,791 sq.ft. (723.80 sq.m.). The Property is held under Conditions of Sale No. 10673 for a term of 99 years from 1 July 1898. By virtue of Section 6 of the New Territories Leases (Extension) Ordinance, the said lease term has been extended until 30 June 2047 without payment of additional premium but at a revised annual rent equivalent to 3% of the rateable value for the time being of the Lot from the date of extension.	The property has been leased out to an intra-group company for a term of 2 years commencing from 1 December 2016 with monthly rent of HK$145,000 (inclusive of government rent, rates and management fees). We have been informed that as at the valuation date, the property was occupied by the intra-group company, AVT International Limited for godown and ancillary office purposes.	45,030,000 *(100% interest attributable to the Group: 45,030,000)*

Notes:

Ownership of the property

1. According to the records obtained from the Hong Kong Land Registry, the registered owner of the property as at the valuation date, was I-Sky Electronic Limited.

Interests held by the Company in the property

2. As at the valuation date, I-Sky Electronic Limited held a legal title to the property via an assignment dated 17 May 2016 vide Memorial No. 16060702230017 for a consideration of HK$38,000,000.

3. Pursuant to an executed tenancy agreement made between I-Sky Electronic Limited and AVT International Limited dated 1 December 2016, the property had been leased out to the intra-group company, AVT International Limited, for a term of 2 years commencing from 1 December 2016 with monthly rent of HK$145,000 (inclusive of government rent, rates and management fees).

4. Landlord of the property, I-Sky Electronic Limited, is a wholly-owned subsidiary of the Company.

5. Tenant of the property, AVT International Limited, is an intra-group company.

Material Encumbrances

6. According to the records obtained from the Hong Kong Land Registry, the property was subject to the following material encumbrances as at the valuation date:

   – Deed of Mutual Covenant with Plan dated 3 September 1977 vide Memorial No. UB1427229.

   – Management Agreement in favour of Hop Yip Service Company Limited "The Manager" dated 3 September 1977 vide Memorial No. UB1427230.

   – Mortgage in favour of DBS Bank (Hong Kong) Limited dated 17 May 2016 vide Memorial No. 16060702230021.

Land Use Zoning of the property

7. As at the valuation date, the building fell within an area zoned for "Other Specified Uses (Business)" on Cheung Sha Wan Outline Zoning Plan No. S/K5/37 dated 16 December 2016.

Inspection of the property

8. The property was last inspected by Sr K L Yuen, MRICS MHKIS RPS(GP) on 21 March 2017.

9. We have inspected the exterior and, where possible, the accessible portions of the interior of the property. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services, but in the course of our inspection, we did not note any serious defects. We are, therefore, not able to report whether the property is free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the property taking into account the general appearance, the apparent standard and age of fixtures and fittings. In the course of our valuation, we have assumed that the property is structural sound, free from defects or as to the possibility of latent defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are also free from defect.

Major assumptions of valuation

10. Our key assumptions of the valuation are:-

Market Value (HK$/sq.ft.(g))	**Term Yield (per annum)**	**Discount Rate (per annum)**
5,150	3.95%	5.00%

In the course of our valuation, we have made reference to sales transaction and asking prices of upper floor industrial space within the subject locality as well as similar properties within the same district. The major unit prices range from HK$4,200 per sq.ft (g) to HK$6,000 per sq.ft.(g).

We have also assembled and analysed investment yield of relevant market segment and noted that the investment yield of similar properties are generally within a range of 3.30% to 4.20%. Discount rate has been made reference to the Hong Kong Dollar prime rate adopted by Hang Seng Bank as at the valuation date, i.e. 5.00%.

The above market value assumed by us are consistent with the relevant market comparables after due adjustments. The term yield and discount rate adopted are considered to be reasonable with regard to the analysed investment yield and the Hong Kong Dollar prime rate adopted by Hang Seng Bank respectively after due adjustments.

Valuation remarks

11. We observed during our inspection that portions of the original toilets had been demolished, altered or relocated. In absence of evidence to show the contrary and in view of the minor scale of such alteration and addition works, we have not taken into account of the reinstatement costs in question, in the course of our valuation.

	Property	Description and tenure	Particular of occupancy	Capital value in existing state as at 31 December 2017 *HK$*
3.	Car Parking Space No. G5 on Ground Floor, Sun Cheong Industrial Building, No. 1 Cheung Shun Street, Nos. 2-4 Cheung Yee Street, Cheung Sha Wan, Kowloon, Hong Kong 1/830th equal undivided shares of and in New Kowloon Inland Lot No. 5589	The property comprises a covered carparking space on Ground Floor of a 13-storey (including Mezzanine Floor) industrial building. The building was completed in about 1977. As scaling off the subject registered floor plan, the property extends to an approximate saleable area of 209 sq.ft. (19.42 sq.m.). The Property is held under Conditions of Sale No. 10673 for a term of 99 years from 1 July 1898. By virtue of Section 6 of the New Territories Leases (Extension) Ordinance, the said lease term has been extended until 30 June 2047 without payment of additional premium but at a revised annual rent equivalent to 3% of the rateable value for the time being of the Lot from the date of extension.	The property has been leased out to an intra-group company for a term of 2 years commencing from 1 December 2016 with monthly rent of HK$4,500 (inclusive of rates and management fees). We have been informed that as at the valuation date, the property was occupied by the intra-group company, AVT International Limited for carparking purposes.	2,870,000 *(100% interest attributable to the Group: 2,870,000)*

Notes:

Ownership of the property

1. According to the records obtained from the Hong Kong Land Registry, the registered owner of the property as at the valuation date, was I-Sky Electronic Limited.

Interests held by the Company in the property

2. As at the valuation date, I-Sky Electronic Limited held a legal title to the property via an assignment dated 17 May 2016 vide Memorial No. 16060702230037 for a consideration of HK$2,500,000.

3. Pursuant to an executed tenancy agreement made between I-Sky Electronic Limited and AVT International Limited dated 1 December 2016, the property had been leased out to the intra-group company, AVT International Limited, for a term of 2 years commencing from 1 December 2016 with monthly rent of HK$4,500 (inclusive of rates and management fees).

4. Landlord of the property, I-Sky Electronic Limited, is a wholly-owned subsidiary of the Company.

5. Tenant of the property, AVT International Limited, is an intra-group company.

Material Encumbrances

6. According to the records obtained from the Hong Kong Land Registry, the property was subject to the following material encumbrances as at the valuation date:

   – Deed of Mutual Covenant with Plan dated 3 September 1977 vide Memorial No. UB1427229.

   – Management Agreement in favour of Hop Yip Service Company Limited "The Manager" dated 3 September 1977 vide Memorial No. UB1427230.

   – Mortgage in favour of DBS Bank (Hong Kong) Limited dated 17 May 2016 vide Memorial No. 16060702230043.

Land Use Zoning of the property

7. As at the valuation date, the building fell within an area zoned for "Other Specified Uses (Business)" on Cheung Sha Wan Outline Zoning Plan No. S/K5/37 dated 16 December 2016.

Inspection of the property

8. The property was last inspected by Sr K L Yuen, MRICS MHKIS RPS(GP) on 21 March 2017.

9. We have inspected the exterior and, where possible, the accessible portions of the interior of the property. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services, but in the course of our inspection, we did not note any serious defects. We are, therefore, not able to report whether the property is free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the property taking into account the general appearance, the apparent standard and age of fixtures and fittings. In the course of our valuation, we have assumed that the property is structural sound, free from defects or as to the possibility of latent defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are also free from defect.

Major assumptions of valuation

10. Our key assumptions of the valuation are:

Market Value (HK$/each)	Term Yield (per annum)	Discount Rate (per annum)
2,950,000	3.75%	5.00%

In the course of our valuation, we have made reference to sales transaction and asking prices of carparking space within the subject locality as well as similar properties within the same district. The major unit prices range from HK$1,750,000 each to HK$3,000,000 each.

We have also assembled and analysed investment yield of relevant market segment and noted that the investment yield of carparking space of industrial building are generally within a range of 3.60% to 4.25%. Discount rate has been made reference to the Hong Kong Dollar prime rate adopted by Hang Seng Bank as at the valuation date, i.e. 5.00%.

The above market value assumed by us are consistent with the relevant market comparables after due adjustments. The term yield and discount rate adopted are considered to be reasonable with regard to the analysed investment yield and the Hong Kong Dollar prime rate adopted by Hang Seng Bank respectively after due adjustments.

Group III: Property interests owned and occupied by the Group in the PRC

	Property	Description and tenure	Particular of occupancy	Capital value in existing state as at 31 December 2017 *HK$*
4.	Unit No. 2006 (F) on Level 20, Shanghai Industrial Investment Building, No. 18 Caoxi North Road, Xujiahui Sub-district Office, Xuhui District, Shanghai Municipality, The PRC	The property comprises an office unit on Level 20 of a 32-storey office block built over an 8-storey mixed commercial & carparking podium and one level of basement carport. The building was completed in about 1996. In accordance with the real estate ownership certificate in question, the registered gross floor area of the property is approximately 122.51 sq.m. (1,318.70 sq.ft.). Pursuant to the subject real estate ownership certificate registered on 29 April 2016, the term of land use rights of the property is till 28 November 2044. The permitted user of the land is mixed uses.	We have been informed that the property was owner-occupied as office uses, as at the valuation date.	5,160,000 *(100% interest attributable to the Group: 5,160,000)*

Notes:

Ownership of the property

1. We have been advised by the Company's PRC legal adviser that the property was owned by 深圳麗斯高電子有限公司 (Shenzhen Lisigao Electronic Company Limited), as at the valuation date.

Interests held by the Company in the property

2. The land use rights and building title of the property is held under a real estate ownership certificate issued jointly by 上海市住房保障和房屋管理局 (Shanghai Municipality Housing Security and Administration Bureau) and 上海市規劃和國土資源管理局 (Shanghai Municipality Planning Land & Resources Administration Bureau) to 深圳麗斯高電子有限公司 (Shenzhen Lisigao Electronic Company Limited).

According to 滬房地徐字 (2016) 第 011077 號 (Real Estate Ownership Certificate No. 011077 of 2016) registered on 29 April 2016, land use rights of the property having an apportioned site area of 10.9 sq.m. is held by 深圳麗斯高電子有限公司 (Shenzhen Lisigao Electronic Company Limited) via assignment grant and subject to, inter alia, the following terms:

(a)	Use of the Land	:	mixed uses
(b)	Total Land Area	:	6,133.00 sq.m.
(c)	Term	:	till 28 November 2044

In addition, the legitimate owner of building title of the property is 深圳麗斯高電子有限公司 (Shenzhen Lisigao Electronic Company Limited). It covers a registered gross floor area of about 122.51 sq.m. for designated office uses.

3. The legal title of the property is held by 深圳麗斯高電子有限公司 (Shenzhen Lisigao Electronic Company Limited). We have been advised that 深圳麗斯高電子有限公司 (Shenzhen Lisigao Electronic Company Limited) is a wholly-owned subsidiary of the Company.

4. 深圳麗斯高電子有限公司 (Shenzhen Lisigao Electronic Company Limited) has been approved by 深圳市人民政府 (Shenzhen Municipal People 's Government) via a certificate 商外資粵深外資字 (2008) 0655 號 (Registration No. 0655 of 2008) and registered in 深圳市市場監督管理局 (Shenzhen Shi Market Supervision Administration Bureau) as revealed by business licence 統一社會信用代碼 9144030067001281XF (Uniform Code of Social Credit: 9144030067001281XF) dated 16 June 2016. 深圳麗斯高電子有限公司 (Shenzhen Lisigao Electronic Company Limited) was incorporated as a limited liability company (Taiwan, Hong Kong and Macau corporate-owned) with a registered capital of HK$1 million for an operation period commencing from 18 July 2008 to 18 July 2018. The scope of business includes technology development, wholesale, import and export business of electronic products and spare parts, computer hardware and software (except those involving quota license management and special provisions of the management of goods which are dealt with relevant provisions of the state).

Material encumbrances

5. We have been advised by the Company's PRC legal adviser that the property was not subject to any mortgage, court order or other material encumbrances, as at the valuation date.

PRC legal opinion

6. We have been provided with a legal opinion regarding the legality of title of the property issued by the Company's PRC legal adviser, which contains, inter alia, the followings:

   (i) 深圳麗斯高電子有限公司 (Shenzhen Lisigao Electronic Company Limited) is the only legitimate owner of the property and holds a good legal land use rights and building title of the property.

   (ii) 深圳麗斯高電子有限公司 (Shenzhen Lisigao Electronic Company Limited) can freely occupy, use, lease or dispose the property.

Land use zoning of the property

7. In accordance with the real estate ownership certificate dated 29 April 2016, permitted user of the property is mixed uses.

Status of major document relating to legality of title owner and the property

8. The status of the title and grant of major approvals in accordance with the information provided by the Group are as follows:

Documents relating to title company's legality:	*Obtained*
Business Licence	Yes
Certificate for Approval of Establishment of Foreign Investment Enterprises in the PRC	Yes
Documents relating to property title:	
Real Estate Ownership Certificate	Yes

Inspection of the property

9. The property was last inspected by Sr K L Yuen, MRICS MHKIS RPS(GP) on 15 March 2017.

10. We have inspected the exterior and, where possible, the accessible portions of the interior of the property. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services, but in the course of our inspection, we did not note any serious defects. We are, therefore, not able to report whether the property is free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the property taking into account the general appearance, the apparent standard and age of fixtures and fittings. In the course of our valuation, we have assumed that the property is structural sound, free from defects or as to the possibility of latent defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are also free from defect.

Date and cost of original acquisition

11. We have been informed that the Group has acquired the property via the agreement for sale and purchase in question dated 21 March 2016 for a purchase price of RMB 4,350,000.

Major Assumptions of Valuation

12. In valuing the property, we have adopted a market value of RMB34,500 per sq.m.(g).

    In the course of our valuation, we have made reference to sales transaction and asking price of Grade A office space in the locality which have characteristics comparable to the property especially within the subject building/development. The major unit prices of Grade A office space are in the range of RMB24,500 per sq.m. (g) to RMB40,000 per sq.m.(g).

    The market value adopted by us is consistent with the relevant market comparables after due adjustments including location and environment, accessibility, level, view, layout, size, time and other relevant factors.

	Property	Description and tenure	Particular of occupancy	Capital value in existing state as at 31 December 2017 *HK$*
5.	Unit No. 602 on Level 6, Block 2, Zone III, Golden Times, No. 1587 Shunhua Road, High-Tech New Zone, Jinan Shi, Shandong Province, the PRC	The property comprises a residential unit on Level 6 of a 7-storey apartment building built over one level of basement carport. The building was completed in about 2008. In accordance with the real estate ownership certificate in question, the registered gross floor area of the property is approximately 95.76 sq.m. (1,030.76 sq.ft.). Pursuant to the subject real estate ownership certificate registered on 22 June 2016, the term of land use rights of the property is till 18 August 2074. The permitted user of the land is residential uses.	We have been informed that the property was owner-occupied for staff quarter purposes as at the valuation date.	2,060,000 *(100% interest attributable to the Group: 2,060,000)*

Notes:

Ownership of the property

1. We have been advised by the Company's PRC legal adviser that the property was owned by 深圳麗斯高電子有限公司 (Shenzhen Lisigao Electronic Company Limited), as at the valuation date.

Interests held by the Company in the property

2. The land use rights and building title of the property is held under a real estate ownership certificate issued by 濟南市國土資源局 (Jinan Shi State-owned Land Resources Bureau) to 深圳麗斯高電子有限公司 (Shenzhen Lisigao Electronic Company Limited).

   According to 魯 (2016) 濟南市不動產權第 0070721 號 (Real Estate Ownership Certificate No. 0070721 of 2016) registered on 22 June 2016, land use rights of the property is held by 深圳麗斯高電子有限公司 (Shenzhen Lisigao Electronic Company Limited) via assignment grant and subject to, inter alia, the following terms:

   (a) Use of the Land : residential uses
   (b) Total Land Area : 137,566.83 sq.m.
   (c) Term : till 18 August 2074

   In addition, the legitimate owner of building title of the property is 深圳麗斯高電子有限公司 (Shenzhen Lisigao Electronic Company Limited). It covers a registered gross floor area of about 95.76 sq.m. for designated residential uses.

3. The legal title of the property is held by 深圳麗斯高電子有限公司 (Shenzhen Lisigao Electronic Company Limited). We have been advised that 深圳麗斯高電子有限公司 (Shenzhen Lisigao Electronic Company Limited) is a wholly-owned subsidiary of the Company.

4. 深圳麗斯高電子有限公司 (Shenzhen Lisigao Electronic Company Limited) has been approved by 深圳市人民政府 (Shenzhen Municipal People 's Government) via a certificate 商外資粵深外資字 (2008) 0655 號 (Registration No. 0655 of 2008) and registered in 深圳市市場監督管理局 (Shenzhen Shi Market Supervision Administration Bureau) as revealed by business licence 統一社會信用代碼 9144030067001281XF (Uniform Code of Social Credit: 9144030067001281XF) dated 16 June 2016. 深圳麗斯高電子有限公司 (Shenzhen Lisigao Electronic Company Limited) was incorporated as a limited liability company (Taiwan, Hong Kong and Macau corporate-owned) with a registered capital of HK$1 million for an operation period commencing from 18 July 2008 to 18 July 2018. The scope of business includes technology development, wholesale, import and export business of electronic products and spare parts, computer hardware and software (except those involving quota license management and special provisions of the management of goods which are dealt with relevant provisions of the state).

Material encumbrances

5. We have been advised by the Company's PRC legal adviser that the property was not subject to any mortgage, court order or other material encumbrances, as at the valuation date.

PRC legal opinion

6. We have been provided with a legal opinion regarding the legality of title of the property issued by the Company's PRC legal adviser, which contains, inter alia, the followings:

   (i) 深 圳 麗 斯 高 電 子 有 限 公 司 (Shenzhen Lisigao Electronic Company Limited) is the only legitimate owner of the property and holds a good legal land use rights and building title of the property.

   (ii) 深 圳 麗 斯 高 電 子 有 限 公 司 (Shenzhen Lisigao Electronic Company Limited) can freely occupy, use, lease or dispose the property.

Land use zoning of the property

7. In accordance with the real estate ownership certificate dated 22 June 2016, permitted user of the property is residential.

Status of major document relating to legality of title owner and the property

8. The status of the title and grant of major approvals in accordance with the information provided by the Group are as follows:

Documents relating to title company's legality:	*Obtained*
Business Licence	Yes
Certificate for Approval of Establishment of Foreign Investment Enterprises in the PRC	Yes
Documents relating to property title:	
Real Estate Ownership Certificate	Yes

Inspection of the property

9. The property was last inspected by Sr K L Yuen, MRICS MHKIS RPS(GP) on 16 March 2017.

10. We have inspected the exterior and, where possible, the accessible portions of the interior of the property. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services, but in the course of our inspection, we did not note any serious defects. We are, therefore, not able to report whether the property is free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the property taking into account the general appearance, the apparent standard and age of fixtures and fittings. In the course of our valuation, we have assumed that the property is structural sound, free from defects or as to the possibility of latent defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are also free from defect.

Date and cost of original acquisition

11. We have been informed that the Group has acquired the property via the agreement for sale and purchase in question dated 25 May 2016 for a purchase price of RMB 850,000.

Major Assumptions of Valuation

12. In valuing the property, we have adopted a market value of RMB18,000 per sq.m.(g).

    In the course of our valuation, we have made reference to sales transaction and asking price of residential unit in the locality which have characteristics comparable to the property especially within the subject building/development. The major unit prices of residential unit are the range of RMB17,000 per sq.m. (g) to RMB23,000 per sq.m.(g).

    The market value adopted by us is consistent with the relevant market comparables after due adjustments including location and environment, accessibility, level, view, layout, size, time and other relevant factors.

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 Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 July 2012 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Company's constitutional documents consist of its Memorandum of Association (the "Memorandum") and its Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 15 February 2018 and will take effect from the Listing. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized 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 authorized 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 authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized 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 authorized 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 authorized 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 authorized 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 authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized 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 authorized 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 authorized 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 authorized 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 authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 24 July 2012.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

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 authorized 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 authorized 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 VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

(a) Our Company is an exempted company incorporated in the Cayman Islands with limited liability on 4 July 2012 under the Companies Law. Our Company has established its principal place of business in Hong Kong at Units 2–3, 1/F., Sun Cheong Industrial Building, 1 Cheung Shun Street, Kowloon, Hong Kong and has been registered as a non-Hong Kong company on 6 August 2012 under Part XI of the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014. Mr. Lee Bing Kwong of 3/F, Block C, Hillview Apt, 48 Kadoorie Ave, Hong Kong and Ms. Tang Yuen Ching Irene of Units 2–3, 1/F., Sun Cheong Industrial Building, 1 Cheung Shun Street, Kowloon, Hong Kong have been authorised to accept on behalf of our Company service of any process or notice required to be served on our Company.

(b) As our Company was incorporated in the Cayman Islands, its corporate structure, the Memorandum of Association and the Articles of Association are subject to Cayman Islands law. A summary of the relevant provisions of the Memorandum of Association, the Articles of Association and certain aspects of the Cayman Islands company law is set out in Appendix V to this prospectus.

2. Changes in the share capital of our Company

The authorised share capital of our Company as at the date of incorporation was HK$380,000 divided into 38,000,000 shares of nominal value of HK$0.01 each. The following sets out the changes in the share capital of our Company since the date of incorporation:

(a) On 4 July 2012, our Company allotted and issued one nil-paid Share of nominal value of HK$0.01 to an initial subscriber (being an Independent Third Party who then transferred such one Share to Best Sheen on the same day).

(b) On 15 February 2018, in consideration of Ace Power transferring the entire issued share capital of Apex Team to our Company, our Company (as directed by Ace Power) allotted and issued 99 new Shares to Best Sheen, credited as fully paid; and credited as fully paid at par the one nil-paid issued Share held by Best Sheen.

(c) On 15 February 2018, the authorised share capital of our Company was increased to HK$20,000,000 divided into 2,000,000,000 shares of nominal value of HK$0.01 each pursuant to a resolution passed by the then sole Shareholder.

Assuming that the Global Offering becomes unconditional and the Shares under the Capitalisation Issue are issued (but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK$10,000,000 divided into 1,000,000,000 Shares.

Other than Shares to be issued pursuant to the exercise of the Over-allotment Option, Share Option Scheme and pursuant to the general mandate to issue the Shares referred to in the paragraph headed "A. Further Information about our Group – 4. Written resolutions of the sole Shareholder passed on 15 February 2018" in this appendix, the Directors do not have any present intention to issue any Share out of the authorised but unissued share capital of our Company and, without the prior approval of the Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

3. Changes in the share capital of the subsidiaries of our Company

Subsidiaries of our Company are listed in the Accountant's Report set out in Appendix I to this prospectus.

Save as set out above and disclosed in the section headed "History, reorganisation and group structure" of this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. Written resolutions of the sole Shareholder passed on 15 February 2018

Pursuant to the written resolutions of the sole Shareholder passed on 15 February 2018:

(a) the Memorandum was approved and adopted;

(b) conditional upon and with effect from the Listing, the Articles were approved and adopted;

(c) the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares to HK$20,000,000 divided into 2,000,000,000 Shares by the creation of an additional 1,962,000,000 Shares to rank *pari passu* in all respects with the existing Shares;

(d) conditional upon the fulfilment or waiver of the conditions set out in "Structure and conditions of the Global Offering" in this prospectus and subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the new Shares under the Global Offering, the Directors were authorised to allot and issue a total of 749,999,900 Shares credited as fully paid at par to the Shareholder(s) whose name appear(s) on the register of members of our Company at the close of business on 15 February 2018 in proportion to their then existing shareholdings in the Company, each ranking *pari passu* in all respects with the then existing issued Shares, by way of capitalisation of an amount of HK$7,499,999 standing to the credit of the share premium account of our Company;

(e) conditional upon the fulfilment or waiver of the conditions set out in "Structure and conditions of the Global Offering" in this prospectus, the Global Offering and the Over-allotment Option were approved;

(f) a general unconditional mandate (the "**Issuing Mandate**") was given to our Directors to exercise all powers of our Company to allot (including the power to make and grant offers, agreements and options which would or might require Shares to be allotted and issued), otherwise than pursuant to, or in consequence of a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or other similar arrangement or pursuant to a specific authority granted by the Shareholders in general meeting, Shares with a total number not exceeding 20% of the number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking into account the number of Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme) whereas such Issuing Mandate is to remain in effect until whichever is the earliest of (a) the conclusion of the next annual general meeting of our Company; (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or (c) the passing of an ordinary resolution by the Shareholders at a general meeting revoking, varying or renewing the Issuing Mandate;

(g) a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors to exercise all powers of our Company to repurchase on the Stock Exchange, Shares with a total number not exceeding 10% of the number of Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking into account the number of Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme) whereas such Repurchase Mandate is proposed to remain in effect until whichever is the earliest of (a) the conclusion of the next annual general meeting of our Company; (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or (c) the passing of an ordinary resolution by the Shareholders at a general meeting revoking, varying or renewing such Repurchase Mandate;

(h) the Issuing Mandate was extended by the addition to the number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the Issuing Mandate of the number of Shares repurchased by the Company pursuant to and in accordance with the Repurchase Mandate; and

(i) the Share Option Scheme was approved and that our Directors or any committee established by our Board were authorised, at their sole discretion, to (i) administer the Share Option Scheme; (ii) modify/amend the Share Option Scheme from time to time as required by the Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot and issue Shares pursuant to the exercise of any of the share options (the "**Share Options**") which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may from time to time be issued and allotted pursuant to the exercise of the Share Options; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme.

5. Reorganisation

In preparation for the Global Offering, our Group has undertaken the Reorganisation, details of which are set out in the section "History, reorganisation and group structure – Reorganisation" in this prospectus.

6. Repurchase by our Company of its own securities

This paragraph includes information relating to the repurchase of Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Relevant legal and regulatory requirements

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its Shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) Trading restriction

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of share in issue. A company may not issue or announce a proposed issue of new shares for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring our company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange.

In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its shares if that repurchase would result in the number of listed shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iii) Source of funds

Repurchase of Shares listed on the Stock Exchange must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association, the Articles of Association and the applicable laws of the Cayman Islands. A listed company may not repurchase Shares on the Stock Exchange for consideration other than cash or for settlement otherwise than in accordance with the Listing Rules.

(b) Reasons for repurchases

The Directors believe that it is in our Company's and its Shareholders' best interests for the Directors to have general authority to execute repurchases of Shares in the market. The repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets per Share and/or earnings per Share and will only be made where the Directors believe that the repurchases will benefit our Company and its Shareholders.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association, the Articles of Association, the Listing Rules, the Companies Law and other applicable laws of the Cayman Islands.

If the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our Company's working capital and/or the gearing position as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the general mandate to repurchase Shares to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme), could accordingly result in up to 100,000,000 Shares being repurchased by our Company during the Relevant Period until the earliest of:

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

(ii) the expiration of the period within which our Company is required by the Articles or any applicable law to hold our next annual general meeting; or

(iii) the passing of an ordinary resolution by our Shareholders at a general meeting revoking, varying or renewing such mandate.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates currently intends to sell any Share to our Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they shall exercise the general mandate to repurchase Shares in accordance with the Listing Rules and the laws of the Cayman Islands.

If, as a result of any repurchase of the Shares, a Shareholder's proportionate interest in our Company's voting rights is increased, the increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences of repurchases which would arise under the Takeovers Code.

None of the core connected persons of our Company has notified our Company that he or she or it has a present intention to sell his/her/its Shares to our Company, or has undertaken not to do so, if the general mandate to repurchase Shares is exercised.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Company's Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, the Directors have no present intention to exercise the Repurchase Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT OUR COMPANY'S BUSINESS

1. Summary of material contracts

Our Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus which are or may be material:

(a) the instrument of transfer dated 16 May 2016 entered into between LO YUEN LAI (盧元麗) and APEX TEAM LIMITED for the transfer of one ordinary share in I-SKY ELECTRONIC LIMITED (天科電子有限公司) from LO YUEN LAI (盧元麗) to APEX TEAM LIMITED at a consideration of HK$1.00;

(b) the bought and sold notes dated 16 May 2016 executed by LO YUEN LAI (盧元麗) and APEX TEAM LIMITED for the transfer of one ordinary share in I-SKY ELECTRONIC LIMITED (天科電子有限公司) from LO YUEN LAI (盧元麗) to APEX TEAM LIMITED at a consideration of HK$1.00;

(c) the agreement for sale and purchase of one (1) share of I-Sky Electronic Limited dated 21st April, 2017 entered into between ACE POWER HOLDINGS LIMITED (領威控股有限公司) and APEX TEAM LIMITED, pursuant to which ACE POWER HOLDINGS LIMITED (領威控股有限公司) agreed to transfer one ordinary share in I-Sky Electronic Limited to APEX TEAM LIMITED at a consideration of HK$1;

(d) the agreement dated 19th June, 2017 entered into between Lee Chak Hol and Apex Team Limited, pursuant to which Lee Chak Hol agreed to sell 21 ordinary shares in Data Star Inc. to Apex Team Limited at a consideration of HK$2,182,996;

(e) the subscription agreement for 1,583,928 shares in Data Star Inc. dated 19th June, 2017 entered into between Apex Team Limited and Data Star Inc., pursuant to which Apex Team Limited shall subscribe and Data Star Inc. shall allot and issue as fully paid 1,583,928 ordinary shares in Data Star Inc. at the subscription price of US$1.00 per share, which shall be settled by (i) full discharge of the amount of US$1,530,000 owed by Data Star Inc. to Apex Team Limited; and (ii) payment of cash consideration of US$53,928;

(f) the subscription agreement for 615,972 shares in Data Star Inc. dated 19th June, 2017 entered into between Pai Yi Lin and Data Star Inc., pursuant to which Pai Yi Lin shall subscribe and Data Star Inc. shall allot and issue as fully paid 615,972 ordinary shares in Data Star Inc. at the subscription price of US$1.00 per share, which shall be settled by (i) full discharge of the amount of US$600,000 owed by Data Star Inc. to Pai Yi Lin; and (ii) payment of cash consideration of US$15,972;

(g) the agreement dated 19th June, 2017 entered into between Apex Team Limited and Lee Bing Kwong, pursuant to which Apex Team Limited shall sell and Lee Bing Kwong shall purchase two ordinary shares in Able System Limited at a consideration of US$2.00;

(h) the share swap agreement dated 15th February, 2018 entered into between ACE POWER HOLDINGS LIMITED (領威控股有限公司) and APEX ACE HOLDING LIMITED, pursuant to which ACE POWER HOLDINGS LIMITED (領威控股有限公司) agreed to transfer one share of APEX TEAM LIMITED, representing the entire issued share capital of APEX TEAM LIMITED as at the date thereof, to APEX ACE HOLDING LIMITED in consideration of APEX ACE HOLDING LIMITED (i) allotting and issuing 99 ordinary shares of HK$0.01 each in the share capital of APEX ACE HOLDING LIMITED, credited as fully paid, to BEST SHEEN LIMITED (佳澤有限公司); and (ii) credit the one nil paid share of HK$0.01 in the share capital of APEX ACE HOLDING LIMITED held by BEST SHEEN LIMITED (佳澤有限公司) as at the date thereof as fully paid at par;

(i) a deed of non-competition dated 15th February, 2018 and executed by LEE BING KWONG and BEST SHEEN LIMITED (佳澤有限公司) in favour of APEX ACE HOLDING LIMITED (for itself and as trustee for its subsidiaries from time to time), particulars of which are set out in the section headed "Relationship with the Controlling Shareholders and non-competition undertaking – Deed of Non-competition";

(j) a deed of indemnity dated 15th February, 2018 and executed by LEE BING KWONG and BEST SHEEN LIMITED (佳澤有限公司) in favour of APEX ACE HOLDING LIMITED (for itself and as trustee for its subsidiaries), particulars of which are set out in the paragraph headed "E. Other Information – 1. Estate duty, Tax and other indemnities" in this Appendix; and

(k) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

(a) Trademark

As at the Latest Practicable Date, our Company had registered the following trademark:

Trademark	Owner	Trademark number	Class	Place of registration	Date of Registration	Expiry Date
(A)	AVT International Limited	302841705	9, 35	Hong Kong	18/12/2013	17/12/2023
(B)						

(b) Domain names

As at the Latest Practicable Date, we had registered the following domain names:

Registrant	Domain Name	Date of Registration	Expiry Date
AVT International Limited	avt.com.hk	24/1/1996	4/8/2023
Apex Ace Holding Limited	apexace.com	6/8/2012	6/8/2020
Ascent Way International Limited	aswi.com.hk	17/3/2016	18/3/2018

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Interests and/or short positions of our Directors in the shares, underlying shares and debentures of our Company or any associated corporation

Immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme), the interests and short positions of each Director and the chief executive of our Company in the shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) once the Shares are listed on the Stock Exchange, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, once the Shares are listed on the Stock Exchange, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to our Company and the Stock Exchange once the Shares are listed on the Stock Exchange, will be as follows:

Name	Company concerned	Nature of interests	Class and number of securities held	Percentage of interests of the company concerned
Mr. Lee	Our Company	Interest in controlled corporation [2]	750,000,000 (L)	75%
Mr. Lee	Best Sheen [3]	Beneficial owner	1 (L)	100%

Notes:

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

(2) These 750,000,000 Shares are held by Best Sheen Limited, which in turn is directly wholly-owned by Mr. Lee. As such, Mr. Lee is deemed under the SFO to be interested in these 750,000,000 Shares upon the Listing. Of these 750,000,000 Shares, 37,500,000 Shares may be subject to the stock borrowing arrangement to be effected pursuant to the Stock Borrowing Agreement.

(3) Best Sheen is interested in 75% of the issued Shares immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme) and, accordingly, is the holding company of our Company within the meaning of the SFO.

2. Interests and/or short positions discloseable under the SFO and our Company's substantial shareholders

Please refer to the section "Substantial Shareholders" of this prospectus for details of the persons (other than a Director or the chief executive of our Company)/entities which will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which is, directly or indirectly, interested in 10% or more of the issued voting shares in all circumstances at general meetings of our Company or any other member of our Group.

3. Particulars of service agreements and appointment letters

(a) Executive Directors

Each of the executive Directors has entered into a service agreement with our Company under which they have agreed to act as executive Directors for an initial term of three years commencing from the Listing Date. Either party has the right to give not less than three months' written notice to terminate the service agreement.

(b) Independent non-executive Directors

Each of the independent non-executive Directors has entered into an appointment letter with our Company under which each of them has agreed to act as the independent non-executive Director for an initial term of two years commencing from the Listing Date. Either party has the right to give not less than two months' written notice to terminate the letter of appointment.

(c) Remuneration of the Directors

(i) The aggregate amount of remuneration paid and benefits in kind granted to the Directors by any member of our Group in respect of the years ended 31 December 2014, 2015, 2016 and 2017 were approximately HK$972,000, HK$1,432,000, HK$1,784,000 and HK$1,760,000 (unaudited) respectively.

(ii) The aggregate amount of remuneration payable to, and benefits in kind receivable by, the Directors by any member of our Group in respect of the year ending 31 December 2018 under the arrangements in force at the date of this prospectus are estimated to be approximately HK$2.2 million.

(iii) None of the Directors or any past directors of any members of our Group has been paid any sum of money during the Track Record Period as (a) an inducement to join or upon joining our Company; or (b) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any members of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments during the Track Record Period.

(v) The remuneration of the Directors was determined by reference to their qualification, experience, duties and responsibilities with our Group and prevailing market rate.

D. SHARE OPTION SCHEME

The followings are the principal terms of the Share Option Scheme conditionally adopted under the written resolutions of the sole Shareholder passed on 15 February 2018:

1. Conditions

(a) The Share Option Scheme is conditional upon:

(i) the Listing Committee granting the listing of and permission to deal in such number of Shares representing the General Scheme Limit (as defined in paragraph 7(b)) to be allotted and issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme;

(ii) the passing of the necessary resolutions to approve and adopt the Share Option Scheme in general meeting or by way of written resolutions of the Shareholders;

(iii) the commencement of dealings in the Shares on the Stock Exchange; and

(iv) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of any of the Underwriting Agreements or otherwise.

(b) If the conditions referred to in paragraph 1(a) are not satisfied on or before the date falling 30 days after the date of this prospectus, the Share Option Scheme shall forthwith determine and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme.

(c) Reference in paragraph 1(a)(i) to the Listing Committee formally granting the listing and permission referred to therein shall include any such listing and permission which are granted subject to the fulfilment of any condition precedent or condition subsequent.

2. Purpose, duration and administration

(a) The purpose of the Share Option Scheme is to enable our Company to grant options to the Eligible Participants (as defined in paragraph 3(a) below) as incentives or rewards for their contribution to our Group.

(b) 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 their interpretation or effect shall (save for the grant of options referred to in paragraph 3(b) which shall be approved in the manner referred to therein and save as otherwise provided herein) be final and binding on all persons who may be affected thereby.

(c) Subject to paragraphs 1 and 13, the Share Option Scheme shall be valid and effective until the close of business of our Company on the date which falls 10 years (the "**Termination Date**") after the date on which the Share Option Scheme is adopted upon fulfilment of the condition set out in paragraph 1(a) (the "**Adoption Date**"), after which period no further options may be issued but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

(d) An Eligible Participant who accepts the offer in accordance with the terms of the Share Option Scheme or (where the context so permits and as referred to in paragraph 5(d)(i)) his/her personal representative (the "**Grantee**") shall ensure that the acceptance of an offer, the holding and exercise of his/her option in accordance with the Share Option Scheme, the allotment and issue of Shares to him upon the exercise of his/her option and the holding of such Shares are valid and comply with all laws, legislation and regulations including all applicable exchange control, fiscal and other laws to which he is subject. The Directors may, as a condition precedent of making an offer and allotting Shares upon an exercise of an option, require an Eligible Participant or a Grantee (as the case may be) to produce such evidence as it may reasonably require for such purpose.

3. Grant of options

(a) Subject to paragraph 3(b), the Directors shall, in accordance with the provisions of the Share Option Scheme and the Listing Rules, be entitled but shall not be bound at any time within a period of 10 years commencing from the Adoption Date to make an offer to any person belonging to any of the following classes of participants (the "**Eligible Participants**") to subscribe, and no person other than the Eligible Participant named in such offer may subscribe, for such number of Shares (being a board lot for dealings in the Shares on the Stock Exchange or an integral multiple thereof) at such price per Share at which a Grantee may subscribe for the Shares on the exercise of an option, as determined in accordance with paragraph 4 (the "**Subscription Price**"), as the Directors shall, subject to paragraph 4, determine:

(i) any employee (the "**Eligible Employee**") (whether full time or part time, including any executive director but excluding any non-executive director) of our Company, any subsidiary or any entity in which any member of our Group holds any equity interest (the "**Invested Entity**");

(ii) any non-executive director (including independent non-executive director) of our Company, any subsidiary or any Invested Entity;

(iii) any supplier of goods or services to any member of our Group or any Invested Entity;

(iv) any customer of any member of our Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;

(vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

and, for the purposes of the Share Option Scheme, the offer may be made to any company wholly-owned by one or more Eligible Participants.

For the avoidance of doubt, the grant of any option by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

(b) Without prejudice to paragraph 7(d) below, the making of an offer to any Director, chief executive of our Company or substantial shareholder, or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed Grantee of an option).

(c) The eligibility of any of the Eligible Participants to an offer shall be determined by the Directors from time to time on the basis of the Directors' opinion as to his/her contribution to the development and growth of our Group.

(d) An offer shall be made to an Eligible Participant in writing (and unless so made shall be invalid) in such form as the Directors may from time to time determine, either generally or on a case-by-case basis, specifying the number of Shares under the option and the "Option Period" (which means, in respect of any particular option, the period within which such option may be exercised (which may not expire later than 10 years from the offer date of that option) to be determined and notified by the Directors to the Grantee thereof and, in the absence of such determination, from the offer date to the earlier of (i) the date on which such option lapses under the provisions of paragraph 6; and (ii) 10 years from the offer date of that option) in respect of which the offer is made and further requiring the Eligible Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the Eligible Participant concerned (and by no other person) for a period of up to 21 days from the offer date.

(e) An offer shall state, in addition to the matters specified in paragraph 3(d), the followings:

(i) the name and address of the Eligible Participant;

(ii) the number of Shares under the option in respect of which the offer is made and the Subscription Price for such Shares;

(iii) the Option Period in respect of which the offer is made or, as the case may be, the Option Period in respect of separate parcels of Shares under the option comprised in the offer;

(iv) the last date by which the offer may be accepted (which may not be later than 21 days from the offer date);

(v) the procedure for acceptance;

(vi) the performance target(s) (if any) that must be attained by the Eligible Participant before any option can be exercised;

(vii) such other terms and conditions of the offer as may be imposed by the Directors as are not inconsistent with the Share Option Scheme; and

(viii) a statement requiring the Eligible Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme including, without limitation, the conditions specified in, inter alia, paragraphs 2(d) and 5(a).

(f) An offer shall have been accepted by an Eligible Participant in respect of all Shares under the option 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 remittance in favour of our Company of HK$1.00 as consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

(g) Any offer may be accepted by an Eligible Participant in respect of less than the number of Shares under the option which are offered provided that it is accepted in respect of a board lot for dealings in the Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the offer duly signed by such Eligible Participant and received by tour Company together with a remittance in favour of our Company of HK$1.00 as consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

(h) Upon an offer being accepted by an Eligible Participant in whole or in part in accordance with paragraph 3(f) or 3(g), an option in respect of the number of Shares in respect of which the offer was so accepted will be deemed to have been granted by our Company to such Eligible Participant on the offer date. To the extent that the offer is not accepted within the time specified in the offer in the manner indicated in paragraph 3(f) or 3(g), it will be deemed to have been irrevocably declined.

(i) The Option Period of an option may not end later than 10 years after the offer date of that option.

(j) Options will not be listed or dealt in on the Stock Exchange.

(k) For so long as the Shares are listed on the Stock Exchange:

(i) our Company may not grant any option after inside information has come to its knowledge until our Company has announced the information. In particular, our Company may not grant any option during the period commencing one month immediately before the earlier of:

(aa) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (bb) the deadline for our Company to announce the results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement; and

(ii) the Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

4. Subscription Price

The Subscription Price in respect of any option shall, subject to any adjustments made pursuant to paragraph 8, be at the discretion of the Directors, provided that it shall not be less than the highest of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the offer date;

(b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and

(c) the nominal value of the Share,

except that for the purpose of calculating the Subscription Price under paragraph 4(b) above for an option offered within five business days of the Listing Date, the price at which the Shares are to be offered for subscription under the Global Offering shall be used as the closing price for any business day falling within the period before the Listing Date.

5. Exercise of options

(a) An option shall be personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so to do. Any breach of the foregoing by a Grantee shall entitle our Company to cancel any option granted to such Grantee to the extent not already exercised.

(b) Unless otherwise determined by the Directors and stated in the offer to a Grantee, a Grantee is not required to hold an option for any minimum period nor achieve any performance targets before the exercise of an option granted to him.

(c) Subject to, inter alia, paragraph 2(d) and the fulfilment of all terms and conditions set out in the offer, including the attainment of any performance targets stated therein (if any), an option shall be exercisable in whole or in part in the circumstances and in the manner as set out in paragraphs 5(d) and 5(e) by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is so exercised (which, except where the number of Shares in respect of which the option remains unexercised is less than one board lot or where the option is exercised in full, must be for a board lot for dealings in Shares on the Stock Exchange or an integral multiple thereof). Each such notice must be accompanied by a remittance for the full amount of the Subscription Price for Shares in respect of which the notice is given. Within 21 days (seven days in the case of an exercise pursuant to paragraph 5(d)(iii)) after receipt of the notice and, where appropriate, receipt of the certificate of the auditors or the independent financial advisers pursuant to paragraph 8, our Company shall accordingly allot and issue the relevant number of Shares to the Grantee (or, in the event of an exercise of option by a personal representative pursuant to paragraph 5(d)(i), to the estate of the Grantee) fully paid and issue to the Grantee (or his/her estate in the event of an exercise by his/her personal representative as aforesaid) share certificate(s) for the Shares so allotted and issued.

(d) Subject as hereinafter provided, an option may (and may only) be exercised by the Grantee at any time or times during the Option Period provided that:

(i) if the Grantee is an Eligible Employee and in the event of his/her ceasing to be an Eligible Employee by reason of his/her death, ill-health or retirement in accordance with his/her contract of employment before exercising the option in full, his/her personal representative(s) or, as appropriate, the Grantee may exercise the option (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph 5(c) within a period of 6 months following the date of cessation of employment which date shall be the last day on which the Grantee was at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not, or such longer period as the Directors may determine or, if any of the events referred to in paragraph 5(d)(iii) or 5(d)(iv) occur during such period, exercise the option pursuant to paragraph 5(d)(iii) or 5(d)(iv) respectively;

(ii) if the Grantee is an Eligible Employee and in the event of his/her ceasing to be an Eligible Employee for any reason other than his/her death, ill-health or retirement in accordance with his/her contract of employment or the termination of his/her employment on one or more of the grounds specified in paragraph 6(a)(iv) before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless the Directors otherwise determine in which event the Grantee may exercise the option (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph 5(c) within such period as the Directors may determine following the date of such cessation or termination or, if any of the events referred to in paragraph

5(d)(iii) or 5(d)(iv) occur during such period, exercise the option pursuant to paragraph 5(d)(iii) or 5(d)(iv) respectively. The date of cessation or termination as aforesaid shall be the last day on which the Grantee was actually at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not;

(iii) if a general or partial offer, whether by way of take-over offer, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all the Shareholders, 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, our Company shall use all 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, the Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, the Grantee shall, notwithstanding any other terms on which his/her 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 our Company in accordance with the provisions of paragraph 5(c) at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be;

(iv) in the event of a resolution being proposed for the voluntary winding-up of our Company during the Option Period, the Grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of paragraph 5(c) and our Company shall allot and issue to the Grantee the Shares in respect of which such Grantee has exercised his/her option not less than one day before the date on which such resolution is to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up; and

(v) if the Grantee is a company wholly-owned by one or more Eligible Participants:

(aa) the provisions of paragraphs 5(d)(i), 5(d)(ii), 6(a)(iv) and 6(a)(v) shall apply to the Grantee and to the options granted to such Grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs 5(d)(i), 5(d)(ii), 6(a)(iv) and 6(a)(v) shall occur with respect to the relevant Eligible Participant; and (bb) the options granted to the Grantee shall lapse and determine on the date the Grantee ceases to be wholly-owned by the relevant Eligible Participant provided that the Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(e) Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "Exercise Date") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the Grantee has been duly entered on the register of members of our Company as the holder thereof.

6. Early termination of the Option Period

(a) The Option Period in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall lapse on the earliest of:

(i) the expiry of the Option Period as stipulated in the offer;

(ii) the expiry of any of the periods referred to in paragraph 5(d);

(iii) the date of commencement of the winding-up of our Company;

(iv) in respect of a Grantee who is an Eligible Employee, the date on which the Grantee ceases to be an Eligible Employee by reason of a termination of his/her employment on the grounds that he has been guilty of persistent or serious misconduct, or has become insolvent or subject to any bankruptcy proceedings or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the Grantee or our Group or the Invested Entity into disrepute);

(v) in respect of a Grantee other than an Eligible Employee, the date on which the Directors shall at their absolute discretion determine that (aa) (1) such Grantee or his/her close associate has committed any breach of any contract entered into between such Grantee or his/her close associate on the one part and our Group or any Invested Entity on the other part; or (2) such Grantee has become insolvent or is subject to any winding-up, liquidation, bankruptcy or analogous proceedings or has made any arrangement or composition with his/her creditors generally; or (3) such Grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by any other reason whatsoever; and (bb) the option shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above; and

(vi) the date on which the Directors shall exercise our Company's right to cancel the option by reason of a breach of paragraph 5(a) by the Grantee in respect of that or any other option.

(b) A resolution of the Directors to the effect that the employment of a Grantee has been terminated on one or more of the grounds specified in paragraph 6(a)(iv) or that any event referred to in paragraph 6(a)(v)(aa) has occurred shall be conclusive and binding on all persons who may be affected thereby.

(c) Transfer of employment of a Grantee who is an Eligible Employee from one member of our Group to another member of our Group shall not be considered a cessation of employment. It shall not be considered a cessation of employment if a Grantee who is an Eligible Employee is placed on such leave of absence which is considered by the directors of the relevant member of our Group not to be a cessation of employment of the Grantee.

7. Maximum number of Shares available for subscription

(a) The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by our Group shall not exceed 30% of the share capital of our Company in issue from time to time. No options may be granted under the Share Option Scheme or any other share option scheme adopted by our Group if the grant of such option will result in the limit referred to in this paragraph 7(a) being exceeded.

(b) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue at the time dealings in the Shares first commence on the Stock Exchange (without taking into account the Shares (if any) which may be allotted and issued pursuant to the exercise of the Over-allotment Option), i.e. 100,000,000 Shares, (the "**General Scheme Limit**") provided that:

(i) subject to paragraph 7(a) and without prejudice to paragraph 7(b)(ii), our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted; and

(ii) subject to paragraph 7(a) and without prejudice to paragraph 7(b)(i), our Company may seek separate Shareholders' approval in general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph 7(b)(i) to Eligible Participants specifically identified by our Company before such approval is sought.

(c) Subject to paragraph 7(d), the total number of Shares allotted and issued and which may fall to be allotted and issued upon exercise of the options and the options granted under any other share option scheme of our Group (including both exercised or outstanding options) to each Grantee in any 12-month period shall not exceed 1% of the Shares in issue for the time being. Where any further grant of options to a Grantee under the Share Option Scheme would result in the Shares allotted and issued and to be allotted and issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of our Group 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 the Shareholders in general meeting with such Grantee and his/her close associates (or his/her associates if such Grantee is a connected person of our Company) abstaining from voting.

(d) Without prejudice to paragraph 3(b), where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares allotted and issued and to be allotted and 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 offer date of each offer, in excess of HK$5 million;

such further grant of options must be approved by the Shareholders in general meeting.

(e) For the purpose of seeking the approval of the Shareholders under paragraphs 7(b), 7(c) and 7(d), our Company must send a circular to the Shareholders containing the information required under the Listing Rules and where the Listing Rules shall so require, the vote at the Shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting.

8. Adjustments to the Subscription Price

(a) In the event of any alteration in the capital structure of our 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, consolidation or sub-division of the Shares, or reduction of the share capital of our Company, then, in any such case our Company shall instruct the auditors of our Company or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular Grantee, to:

(i) the number of Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised); and/or

(ii) the Subscription Price of any option; and/or

(iii) the number of Shares comprised in an option or which remain comprised in an option,

and an adjustment as so certified by the auditors of our Company or such independent financial adviser shall be made, provided that:

(i) any such adjustment shall give the Grantee the same proportion of the issued share capital of our Company as that to which such Grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment;

(ii) no such adjustment shall be made the effect of which would be to enable a Share to be allotted and issued at less than its nominal value;

(iii) the issue of Shares or other securities of our Group as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and

(iv) any such adjustment shall be made in compliance with such rules, codes and guidance notes of the Stock Exchange from time to time.

In respect of any adjustment referred to in this paragraph 8(a), other than any adjustment made on a capitalisation issue, the auditors of our Company or such independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

(b) If there has been any alteration in the capital structure of our Company as referred to in paragraph 8(a), our Company shall, upon receipt of a notice from a Grantee in accordance with paragraph 5(c), inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made in accordance with the certificate of the auditors of our Company or the independent financial adviser obtained by our Company for such purpose or, if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the auditors of our Company or the independent financial adviser as soon as practicable thereafter to issue a certificate in that regard in accordance with paragraph 8(a).

(c) In giving any certificate under this paragraph 8, the auditors of our Company or the independent financial adviser appointed under paragraph 8(a) shall be deemed to be acting as experts and not as arbitrators and their certificate shall, in the absence of manifest error, be final, conclusive and binding on our Company and all persons who may be affected thereby.

9. Cancellation of options

(a) Subject to paragraph 5(a) and Chapter 17 of the Listing Rules, any option granted but not exercised may not be cancelled except with the prior written consent of the relevant Grantee and the approval of the Directors.

(b) Where our Company cancels any option granted to a Grantee but not exercised and issues new option(s) to the same Grantee, the issue of such new option(s) may only be made with available unissued options (excluding, for this purpose, the options so cancelled) within the General Scheme Limit or the limits approved by the Shareholders pursuant to paragraph 7(b)(i) or 7(b)(ii).

10. Share capital

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorized share capital of our Company. Subject thereto, the Directors shall make available sufficient authorized but unissued share capital of our Company to allot and issue the Shares on the exercise of any option.

11. Disputes

Any dispute arising in connection with the Share Option Scheme (whether as to the number of Shares to be allotted upon exercise of an Option, the amount of the Subscription Price or otherwise), or any adjustment under paragraph 8(a) shall be referred to the decision of the auditors of our Company or an independent financial adviser so appointed 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.

12. Alteration of the Share Option Scheme

(a) Subject to paragraphs 12(b) and 12(d), the Share Option Scheme may be altered in any respect by a resolution of the Directors except that:

(i) the provisions of the Share Option Scheme as to the definitions of "Eligible Participants", "Grantee", "Option Period" and "Termination Date"; and

(ii) the provisions of the Share Option Scheme relating to the matters governed by Rule 17.03 of the Listing Rules;

shall not be altered to the advantage of Grantees or prospective Grantees except with the prior sanction of a resolution of the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the Articles of Association for a variation of the rights attached to the Shares.

(b) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted shall be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(c) Any change to the authority of the Directors or the administrators 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.

(d) The amended terms of the Share Option Scheme and/or the options must continue to comply with the relevant rules, codes and guidance notes of the Stock Exchange from time to time.

13. Termination

Our Company by resolution in general meeting 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 option (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may be allotted and issued upon the exercise of the options granted under the Share Option Scheme, being 100,000,000 Shares in total. As at the date of this prospectus, no option had been granted by our Company under the Share Option Scheme.

E. OTHER INFORMATION

1. Estate duty, Tax and other indemnities

Pursuant to The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006 in Hong Kong, estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after 11 February 2006.

Dealings in the Shares will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. A total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

The Controlling Shareholders (together the "**Indemnifiers**") have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its subsidiaries) whereby conditional on the conditions set out in the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offer" in this prospectus having been fulfilled, the Indemnifiers have given indemnities in connection with, among other matters:

(a) any taxation including estate duty falling on any company of our Group in any part of the world resulting from or by reference to any income, profits or gains earned accrued or received on or before the Listing Date or any event on or before the Listing Date whether alone or in conjunction with other circumstances and whether or not such tax is chargeable against or attributable to any other person;

(b) any liabilities of whatever nature that may arise out of or from or as a result of or in connection with the business and/or operation of any company of our Group, whether in the ordinary course of the business of our Group or otherwise, on or before the Listing Date;

(c) all of any of the liabilities in connection with any tax, duty, excise, customs, charges, fees or expenses that may arise or be incurred in the PRC or Hong Kong in the context and/or course of, or in relation to, the operation and/or business of our Group on or before the Listing Date;

(d) any liability of the Company and/or any of its subsidiaries that arises after the Listing Date as a result of an act, omission or transaction by a person (other than the Company or any of its subsidiaries) and such liability is attributable to the act, omission or transaction by that person at any time before the Listing Date;

(e) all or any liabilities, damages, costs, charges, fees, expenses and interest (collectively, "liabilities") that may arise or be payable under or in connection with any legal action or proceedings of whatever nature and irrespective of where instituted and whether on going or otherwise of which any company of our Group is involved or is a party of whatever capacity thereto (i) to the extent that such liabilities are not covered by the relevant insurance policies taken out by any company of our Group; or (ii) to the full extent of such liabilities in the event that none of the companies of our Group has taken out any insurance policy to cover such liabilities, provided that such legal action or proceedings are commenced, or the cause of action for any subsequent legal action or proceedings that are commenced before or after the Listing Date occurs, before the Listing Date, save and except that the Indemnifiers shall be under no liability under the Deed of Indemnity:

(i) to the extent that provision has been made for such taxation or liability in the audited consolidated accounts of our Company or the audited accounts of the relevant company of our Group as at 30 September 2017 (the "**Accounts**");

(ii) to the extent that such claim arises or is incurred as a consequence of any retrospective change in the law or regulations or practice by the Hong Kong Inland Revenue Department or any other relevant authorities in any part of the world coming into force after the date thereof or to the extent that such claim arises or is increased by an increase in rates of taxation after the date thereof with retrospective effect;

(iii) to the extent that such taxation or liability is caused by the act or omission of, or transaction voluntarily effected by, any company of our Group which is carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets;

(iv) to the extent that such taxation or liability would not have arisen but for any act or omission by any company of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the Indemnifiers; and

(v) to the extent of any provision or reserve made for taxation in the Accounts which is finally established to be an over-provision or an excessive reserve, provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising after 30 September 2017.

2. Claims or litigation

As at the Latest Practicable Date, no member of our Group was subject to any actual, pending or threatened litigation or claims of material importance which would have a material impact on the operations, financials and reputation.

3. No Material Adverse Change

Save as disclosed in the section headed "Summary – Recent development" in this prospectus, the Directors confirm that, up to the date of this prospectus, there had been no material adverse change in the financial or trading positions or prospect of our Group since 30 September 2017, being the date to which the latest audited financial statements of our Group were made up, and there had been no event since 30 September 2017 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

4. The Sponsor

Save for the advisory fees in the amount of HK$6.8 million to be paid to the Sponsor as the sponsor in connection with the Listing, the advisory fees to be paid to the Sponsor as the compliance adviser with effect from the Listing Date and the commission as disclosed in the section headed "Underwriting" in this prospectus to be paid to the Sponsor for its obligations under the Underwriting Agreements, neither the Sponsor nor any of its close associates has or may, as a result of the Listing, have any interest in any class of securities of our Company or any of the subsidiaries (including options or rights to subscribe for such securities).

The Sponsor has confirmed that it satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules.

5. Preliminary expenses

The estimated preliminary expenses incurred or proposed to be incurred by our Company relating to the incorporation of our Company are approximately HK$54,000 and are payable by our Company.

6. Promoters

Our Company has no promoter for the purpose of the Listing Rules.

7. Agency fees or commission

Save as disclosed in this prospectus, within two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of any member of our Group.

8. Qualification of experts

The qualifications of the experts (as defined under the Companies (WUMP) Ordinance and the Listing Rules) who have given their opinions or advice in this prospectus are as follows:

Name	Qualification
Ample Capital Limited	Corporation licensed to carry on business in types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management) under the SFO
Graham H.Y. Chan & Co.	Certified Public Accountants
International Valuation Limited	Property valuers
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
ETR Law Firm	People's Republic of China attorneys-at-law
Frost & Sullivan International Limited	Industry consultant

None of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

9. Consents of experts

Each of the experts as referred to in the paragraph headed "8. Qualifications of experts" above has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their opinions and/or reports and/or letters and/or the references to their names included in this prospectus in the form and context in which they are respectively included.

10. Miscellaneous

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(a) none of the Directors nor any of the parties listed in the paragraph "8. Qualification of experts" in this appendix has any direct or indirect interest in the promotion of, or in any asset which have been, acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of the Directors nor any of the parties listed in the paragraph "8. Qualification of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(c) none of the Directors has any existing or proposed services contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than payment of statutory compensation);

(d) no capital of any member of our Group is under option, or agreed conditionally or unconditionally to be put under option;

(e) we have not issued or agreed to issue any founder or management or deferred Shares;

(f) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group;

(g) no share or loan capital or debentures of our Company or of any of the principal operating subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly either for cash or for a consideration other than cash;

(h) we have no outstanding debentures or convertible debt securities;

(i) neither our Company nor any of the subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(j) no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group, and none of the Directors nor any of the parties listed in the paragraph "8. Qualification of experts" in this appendix has received any such payment or benefit;

(k) no commission (but not including commission to the Underwriters) had been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Share in or debentures of our Company.

11. Financial Advisor

We have engaged Hooray Capital Limited as our financial advisor to provide financial advisory services in relation to the Global Offering. The principal function performed by our financial advisor is to assist our Company to provide information requested by the Sponsor and the legal advisers pertaining to the Listing. The Sponsor has not relied on the work performed by Hooray Capital Limited in relation to the Global Offering.

12. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all the provisions (other than penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

13. Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of the subsidiaries.

14. Bilingual prospectus

The English version and the Chinese version of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

1. Documents Delivered to the Registrar of Companies in Hong Kong

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (a) copies of the Application Forms; (b) the written consents referred to in the paragraph headed "E. Other information – 9. Consents of experts" in Appendix VI to this prospectus; (c) certified copies of the material contracts referred to in the paragraph headed "B. Further information about our Company's business – 1. Summary of material contracts" in Appendix VI to this prospectus; and (d) the statement of adjustments referred to in the paragraph headed "2. Documents Available for Inspection" below.

2. Documents Available for Inspection

Copies of the following documents will be available for inspection at the offices of P. C. Woo & Co. of Room 1225, Prince's Building, 10 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum and the Articles;

(b) the accountants' report of our Group prepared by Graham H.Y. Chan & Co., the text of which is set out in Appendix I to this prospectus, together with the statement of adjustments;

(c) the audited consolidated financial statements of our Company for each of the three years ended 31 December 2016;

(d) the independent reporting accountants assurance report on unaudited pro forma financial information of our Group prepared by Graham H.Y. Chan & Co., the text of which is set out in Appendix II to this prospectus;

(e) the letters relating to the profit estimate received from Graham H.Y. Chan & Co. and the Sponsor, the text of which are set out in Appendix III to this prospectus;

(f) the property valuation report prepared by International Valuation Limited, the text of which is set out in Appendix IV in this prospectus;

(g) the material contracts referred to in the paragraph headed "B. Further information about our Company's business – 1. Summary of material contracts" in Appendix VI to this prospectus;

(h) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix V to this prospectus;

(i) the service agreements and appointment letters referred to in the paragraph headed "C. Further information about our Directors and Substantial Shareholders – 3. Particulars of service agreements and appointment letters" in Appendix VI to this prospectus;

(j) the rules of the Share Option Scheme;

(k) the written consents referred to in the paragraph headed "E. Other information – 9. Consents of experts" in Appendix VI to this prospectus; and

(l) the Companies Law.

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Apex Ace Holding Limited
光麗科技控股有限公司 *