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

Annual Report 2017

* *for identification purpose only*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Lee Bing Kwong *(Chairman and Chief Executive Officer)*
Mr. Lo Yuen Kin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Siu Kui
Mr. Yim Kwok Man
Dr. Chow Terence

AUDIT COMMITTEE

Mr. Yim Kwok Man *(Chairman)*
Mr. Cheung Siu Kui
Dr. Chow Terence

REMUNERATION COMMITTEE

Mr. Cheung Siu Kui *(Chairman)*
Mr. Lee Bing Kwong
Mr. Yim Kwok Man

NOMINATION COMMITTEE

Mr. Lee Bing Kwong *(Chairman)*
Mr. Cheung Siu Kui
Dr. Chow Terence

COMPANY SECRETARY

Ms. Tang Yuen Ching Irene *(CPA and FCCA)*

AUDITOR

Graham H. Y. Chan & Co.
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited

REGISTERED OFFICE

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

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 PEOPLE'S REPUBLIC OF CHINA ("PRC")

Unit A-1303, Tianan High-Tech Plaza
Futian District, Shenzhen, China

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

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

CORPORATE WEBSITE

http://www.apexace.com

INVESTOR RELATIONS CONTACT

E-mail: enquiry@apexace.com

STOCK CODE

6036

Dear Shareholders,

On behalf of the Board of Apex Ace Holding Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred as the "Group" or "Apex Ace Group") for the year ended 31 December 2017, representing the first annual report since its listing.

LISTED ON THE STOCK EXCHANGE OF HONG KONG LIMITED

The shares of the Company ("Shares") were successfully listed on the main board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 16 March 2018. The initial public offering of the Company received overwhelmingly favourable response from the market with the public offering tranche in Hong Kong oversubscribed by 259 times at the offer price of HK$0.5 per Share. The listing has not only enlarged Apex Ace Group's capital base, but also, with the net proceeds of approximately HK$116.9 million, the Company will be able to seize the enormous opportunities arising from the booming electronic product markets and favorable information technology industry policies in Mainland China. Furthermore, the listing has enhanced Apex Ace Group's corporate image as well as the market's recognition of the Group.

I would like to express my sincere gratitude to all professional parties and the Group's management for their joint efforts contributing to the Company's successful listing.

BUSINESS OVERVIEW

Over the years, Apex Ace Group has been capturing the rising trend in the TMT market by leveraging the high-volume operating strategy and adjusting its product mix in a timely manner. With a wide ranging product portfolio and experienced engineering team, the Group is able to offer its customers the convenience of accessing products from different brand name upstream manufactures to meet their own requirements. Additionally, the Group offers expertise in integrated solutions to guide customers through their entire production stage, and which the collaborative relationship is ongoing, resulting in the higher growth of the Group's sales performance. During the year, the Group reported encouraging growth in both revenue and gross profit. Revenue reached HK$2,840.3 million, representing a surge of 66.8% from the previous year. Gross profit climbed by 49.9% year-on-year to HK$141.4 million. Profit attributable to owners of the Company amounted to HK$35.0 million, representing an decrease of 12.0% as compared with the previous year. Earnings per Share were HK4.66 cents for the year.

CHAIRMAN'S STATEMENT

OUTLOOK

Looking ahead, state initiatives such as 'Made in China 2025', the rapid industry development in 5G and Internet of Things are expected to drive further demands for electronic components. The Group will therefore continue to capitalise on its strengths in delivering a comprehensive range of products and technical support services to seize the strong market growth in the PRC. At the same time, the Group will strive to obtain distributorship for new products and set up a new product line development department to further enhance its product offerings. Furthermore, the Group will hire additional technical support staff to ensure efficient services.

Apex Ace Group will also sustain growth at the centre of the supply chain by connecting customers to upstream manufacturers with products and services that possess extraordinary value. With its competitive strengths in products and services, customer relationships, and enhanced financial position, the Group is poised to stride towards long-term growth and generate satisfactory returns for shareholders.

APPRECIATION

I would take this opportunity to thank all of the shareholders of the Company and all investors, customers, suppliers and partners of our Group for their unwavering support. I would also like to extend my appreciation to the management team and our fellow staff members of the Group for their devoted commitment and contributions.

Lee Bing Kwong
Chairman
29 March 2018

BUSINESS REVIEW

On 16 March 2018, the Shares of the Company has been listed on the main board of the Stock Exchange (the "Listing"), which marked a new milestone in the Group's development. The Listing provides a more effective fund-raising platform to equip the Group with stronger financial capability and flexibility to react in a timely fashion and better capture the ever-changing market demand in the TMT market.

Benefitting from the management experience and the wide-ranging product portfolio, the Group was able to accurately analyze the market and adapt its product mix in a timely manner and address the changes in demand accordingly. During the year, the Group achieved an outstanding financial performance, where the revenue of the Group surged by 66.8% to HK$2,840.3 million (2016: HK$1,702.3 million), and the gross profit of the Group went up by 49.9% to HK$141.4 million (2016: HK$94.3 million).

Profit attributable to owners of the Company for the year ended 31 December 2017 was HK$35.0 million (2016: HK$39.7 million), representing a decrease of 12.0% from 2016 with net profit margin of 1.6% (2016: 2.6%). Excluding the listing expenses and other income and fair value change in investment properties for the year, the adjusted net profit would have been HK$55.3 million, up 31.3% from 2016, with an adjusted net profit margin of 1.9% (2016: 2.5%).

During the year ended 31 December 2017, the Group was engaged in its three principal business divisions, namely, trading of (i) Memory products; (ii) Data & Cloud products and (iii) General components.

Memory products

Memory products offered by the Group are widely used in multimedia and mobile devices such as mobile phones, set-top boxes, smart TVs and wearables. During the year, revenue of this segment surged by 75.1% year-on-year to HK$1,799.1 million, benefited from noticeable growth in demand for memory components underpinned by increasing sales of mobile electronics devices as well as multimedia devices, such as smart TV and set-top boxes. Despite slight drop in gross profit margin to 4.0% (2016: 5.3%), the memory products business enjoyed a 32.6% growth in gross profit along with a significant increase in sales.

Data & Cloud Products

For the sales of Data & Cloud products business, the revenue during the year accounted for HK$655.1 million, representing an increase of 18.3% from the previous year. During the year, there was noticeable change in customer's preference from ordering the Group's integrated data server and storage systems to ordering separate data and cloud electronics components. As a result, the Data & Cloud products segment recorded a 36.5% growth in gross profit along with growth in sales and a higher gross profit margin of 6.4% (2016: 5.5%).

General components

General components include switches, connectors, passive components, main chips, sensors, power semiconductors and analog-to-digital converters which are designed and used in the mobile and multimedia devices. For this business segment, the revenue jumped by approximately 218.7% to HK$386.1 million during the year, which was mainly driven by the growth in sales of inductor, capacitor and mainchip components for the assembling of smart TVs and set-top boxes. Despite a slight drop in gross profit margin to 7.1% (2016: 7.7%), the gross profit improved by 196.3% during the year.

FINANCIAL REVIEW

Revenue

The electronic components supplied by the Group are primarily categorised into three major segments, namely (i) Memory products, (ii) Data & Cloud products and (iii) General components, which contributed 63.3%, 23.1% and 13.6% of the Group's total revenue respectively. The sales revenue of the Group for the Year 2017 increased to HK$2,840.3 million (2016: HK$1,702.3 million), representing an increase of 66.8%, as compared with that of last year. The increase in revenue was driven by the growth in sales of all three major segments of products. For Year 2016 and Year 2017, the growth in sales of memory products remained strong with the portion of the overall revenue derived from which grew from approximately 60.4% to 63.3% for the respective years.

Gross profit and gross profit margin

Gross profit for the Year 2017 amounted to HK$141.4 million (2016: HK$94.3 million), representing a rise of 49.9%, compared with that of last year. The increasing trend in gross profit during the Year 2017 was generally in line with the upward trend of revenue despite the drop in gross profit margin. The gross profit margin for year 2017 has dropped to 5.0% (2016: 5.5%) which was mainly attributable to the shortage in supply of memory products in the market in prior years had become relatively stable in Year 2017, resulting in an overall lower gross profit margin during the year.

Other income and increase in fair value of investment property

During the Year 2017, the Group recognised a gain arising from changes in the fair values of investment property of HK$2.2 million (2016: HK$0.3 million). The increase in fair value of investment property remained immaterial to Group during the Year 2017.

Distribution and selling expenses

The selling and distribution costs mainly include salaries and commission expense, transportation freight charges and declaration and sample expense. For the year ended 31 December 2017, selling and distribution costs amounted to approximately HK$15.9 million (2016: HK$7.8 million).

Administrative expenses

Administrative expenses primarily consist of listing expenses, salaries and benefits (including directors emoluments), insurance, operating lease and other premise fee, exchange difference, bank charges and depreciation expenses.

The administrative expenses increased by approximately HK$29.5 million in 2017 mainly as a result of (i) the increase in the salaries, benefits and insurance in aggregate by approximately HK$9.0 million as the Group had expanded operation in response to the significant growth of its business, (ii) the increase in depreciation, operating lease and other premises expenses in aggregate by approximately HK$1.1 million mainly due to the full year effect of the relocation of the Group's head office in Hong Kong in second half year of 2016; (iii) the increase in listing expenses recognised by approximately HK$14.6 million; and, (iv) an increase in other expense by HK$4.8 million, mainly due to increase in promotion expense incurred by the Group to market its products.

Finance costs

The Group's finance costs represented mainly interest expenses on its bank borrowings during the year under review. Such bank borrowings were obtained by the Group for general working capital needs. The Group had finance costs of approximately HK$11.4 million (2016: HK$4.2 million). The increasing of finance costs was the result of the overall increasing use of factoring loans in response to the increasing sales and inventories level in Year 2017.

Net profit for the Year 2017

Net profit for the Year 2017 amounted to HK$45.4 million (2016: HK$44.8 million), representing a rise of 1.2%, comparing with that of Year 2016.

Eliminating the impact of expenses related to the Listing in Year 2016 and Year 2017, non-recurring items which are not indicative of the operating performance of the Group's business, and other income and increase in fair value of investment property, the Group's net profit would be increased by 31.3% from HK$42.2 million in Year 2016 to HK$55.3 million in Year 2017.

Net profit attributable to the owners of the Company

The net profit attributable to the owners of the Company for the Year 2017 was HK$35.0 million, representing a decrease of 12.0% as compared with Year 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

During Year 2017, the Group met its liquidity requirements principally through a combination of internal resources and bank borrowings. The Group's cash resources as at 31 December 2017 were approximately HK$66.3 million (2016: HK$56.0 million), consisting of bank balances and cash of approximately HK$64.3 million (2016: HK$56.0 million) and pledged fixed deposit of approximately HK$2.0 million (2016: nil). They were mainly denominated in HKD and USD.

As at 31 December 2017, the Group's total outstanding bank borrowings amounted to HK$479.5 million (31 December 2016: HK$262.4 million) which comprised mainly bank factoring loans, import loans, trust receipts loans, instalment loans and revolving loan. The Group bank borrowings which were unrestricted and carried at amortised cost with a clause of repayment on demand are classified as current liability. The bank borrowings were denominated in HKD and USD, and were subject to interest at commercial lending rates. The gearing ratio increased from 177.5% in 2016 to 244.2% in 2017 mainly in response to the increasing required working capitals for inventory procurements. Gearing ratio is calculated based on total loans and borrowings (including amounts due to a director and related parties and bank borrowings) divided by total equity at the respective reporting date.

The Group's financial statements are presented in Hong Kong dollars. The Group carried out its business transactions mainly in Hong Kong dollar, Renminbi and United States dollar. As the Hong Kong dollar remained pegged to the United States dollar, there was no material exchange risk in this respect. As the portion of Renminbi revenue is insignificant, there was no material exchange risk in this respect. 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. Credit risk was hedged mainly through credit policy and factored to external financial institutions.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group gave guarantees to a bank to secure general banking facilities granted to related companies. In the opinion of the 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 31 December 2017 amounted to HK$30.0 million. These guarantees have been subsequently released.

CHARGES ON ASSETS

As at 31 December 2017, the banking facilities of the Group are secured by trade receivables of the Group with an aggregate carrying amount of approximately HK$466.8 million, the legal charge over the investment properties of the Group of HK$51.6 million, leasehold land and buildings of approximately HK$41.9 million of the Group, bank deposit of the Group of approximately HK$2.0 million, property of Mr. Lee Bing Kwong ("Mr Lee"), the director and controlling shareholder of the Company, properties of a son of Mr. Lee, properties, securities and deposits owned by companies controlled by Mr. Lee, insurance policy executed by a related company, personal guarantees executed by Mr. Lee, Ms. Lo (spouse of Mr. Lee), Mr. Pai Yi Lin (a director and non-controlling shareholder of subsidiaries of the Group) and Mr. Lee Chak Hol ("Mr. CH Lee") (son of Mr. Lee) and corporate guarantee executed by related companies.

The Group is in the process of replacing or releasing all personal guarantees, corporate guarantees and securities provided by Mr. Lee, Ms Lo, Mr. CH Lee and companies controlled by Mr. Lee for the benefit of the Group.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2017, the Group employed 102 staff (31 December 2016: 80) in Hong Kong and PRC. During the year, the total staff costs including Directors' emoluments amounted to approximately HK$26.2 million (2016: HK$20.0 million). The Group's remuneration policy is built on the principle of equitability with the incentive-based, motivating, performance oriented and market-competitive remuneration packages for its employees. Remuneration packages are normally reviewed on a regular basis. Apart from salary, other staff benefits include provident fund contributions, medical insurance coverage and performance-based bonuses. In addition, the Group has adopted a share option scheme as further describes in the "Report of the Directors" in this annual report.

USE OF NET PROCEEDS FROM LISTING

The net proceeds received by the Company from the Global Offering (as defined below) in the amount of approximately HK$116.9 million after deducting underwriting commissions and all related expenses and will be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated 28 February 2018 (the "Prospestus").

Since the Listing and up to the date of this annual report, the net proceeds from the Global Offering have not been applied for any use.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2017, save for the reorganisation in preparation for the Listing as described in the Prospectus, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no significant investment held as at 31 December 2017. Save as disclosed in the Prospectus, there is no plan for material investments or capital assets as at the date of this annual report.

SUBSEQUENT EVENT

On 16 March 2018, the Company was listed on the main board of the Stock Exchange with the global offering of ordinary shares of HK$0.01 each of the Company, including, a public offering in Hong Kong of 125,000,000 Shares and an international offering of 125,000,000 Shares, in each case at a price of HK$0.50 per Share (the "Global Offering"). The net proceeds from the Global Offering amounting to approximately HK$116.9 million (after deduction of underwriting fees and any discretionary incentive fee) were received on 16 March and 20 March 2018.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

As the Shares were not listed on the Stock Exchange as at 31 December 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

PROSPECTS

With the rising purchasing power, greater appreciation of a quality lifestyle and frequent introduction of innovative technological products, the prospects of global consumer electronics products market remains positive. The high popularity of the latest consumer products drives the rapidly growing demand for electronic components. Mainland China has become one of the largest electronic products manufacturing and consumption markets which has achieved notable growth in the sales value of electronic components. With the future widespread application of 5G mobile technology, as well as increasing penetration rate of the fibre-to-home internet in Mainland China, the market demand for memory products and Data & Cloud products is expected to increase.

Meanwhile, the Chinese government has been taking action to regulate and support the development of all participating industries in the electronics market. For example, the 13th Five-Year Plan issued in 2016 highlights information technology industry as a priority industry for development. The Made in China 2025 strategic directive issued in 2016 clearly specifies that the key categories in the information technology industry include integrated circuits and information processing and communications products. As the Internet of things (IoT), was officially listed as one of the five emerging strategic industries by the government, its scale in Mainland China is expected to rapidly grow and, in turn, promote market demand for related components such as sensors, RF power, and machine-to-machine (M2M) components. On the other hand, the scale of electronics components supporting Data & Cloud and its distribution industry has also been expanding at a remarkable pace.

In view of the rapid development of the electronics products market and competitive landscape of the electronic components distribution industry, the Group is cautiously optimistic about its business and industry prospects. With an aim to enhance its supplier network and broadening its product portfolio and enlarging its market share as a semiconductor and electronic components distributor in Mainland China and Hong Kong, the Group continues to broaden its customer base by expanding its product variety. The Group is continuously working to secure distributorship of new product lines from existing and new suppliers to complement and expand its business development. A new product line development department is to be dedicated to research on market intelligence and to explore new products in the market. The Group is also investing in additional sales and marketing resources as well as technical support.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lee Bing Kwong ("Mr. Lee"), aged 63, the founder of the 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. Mr. Lee is the director of Best Sheen Limited, a company which has an interest in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"). Mr. Lee is also the brother-in-law of Mr. Lo Yuen Kin, an executive Director, and the father of Mr. Lee Chak Hol, a member of the senior management of the Group.

Mr. Lo. Yuen Kin ("Mr. Lo"), aged 55, 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 the uncle of Mr. Lee Chak Hol.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Siu Kui ("Mr. Cheung"), aged 68, 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 as 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; and was responsible for the sales and marketing of electronic components.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yim Kwok Man ("Mr. Yim"), aged 49, 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 in business administration degree 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.

Dr. Chow Terence ("Dr. Chow"), aged 55, 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.

SENIOR MANAGEMENT

Mr. Lee Chak Hol ("Mr. CH Lee"), aged 26, 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, and was responsible for arrangement of trade and/or guarantee transactions for corporation, Denz Capital Limited (primarily investing in private equity) as an intern and the risk control department of UBS, responsible for internal control. Mr. CH Lee is a son of Mr. Lee and the nephew of Mr. Lo Yuen Kin.

Ms. Leung Yuen Ting ("Ms. Leung"), aged 47, 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 ("Mr. Wang"), aged 43, 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 ("Mr. Fu"), aged 45, 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).

COMPANY SECRETARY

Ms. Tang Yuen Ching Irene ("Ms. Tang"), aged 48, certified public accountant, was appointed as the Company Secretary of the Company on 29 March 2014 and was responsible for the corporate secretarial and compliance work of our Group. Ms. Tang is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Ms. Tang is currently also the company secretary of Quali-Smart Holdings Limited (stock code 1348), a company listed on the main board of the Stock Exchange, and Hong Wei (Asia) Holdings Company Limited, a company listed on the GEM of the Stock Exchange (stock code 8191).

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company dedicated in maintaining and ensuring high standards of corporate governance practices and the corporate governance principles of the Company are adopted in the best interest of the Company and its Shareholders. The Company had adopted the applicable code provisions and, where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") since the Listing Date. As the Company's shares were listed on the Stock Exchange on 16 March 2018 (the "Listing Date"), and the Company was not a listed company during the Year 2017, the CG Code was not applicable to it during that period, but has been applicable to the Company since the Listing Date. Save as disclosed below, the Board considered that the Company has complied with all applicable code provisions set out in the CG Code since the Listing Date.

Under code provision A.2.1 of the CG Code, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lee Bing Kwong, who has considerable experience in semiconductor and other electronics components industry, is the chief executive officer of the Company, and also performs as the chairman of the Board. The Board believes that vesting the roles of both the chairman of the Board and the chief executive officer of the Company in Mr. Lee Bing Kwong has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning of the Group. The Board will nevertheless review the structure from time to time and separate the roles of the chairman of the Board and the chief executive officer to two individuals if appropriate.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted a code of conduct regarding the transactions of securities of the Company by the Directors and the relevant employees (who likely possess inside information of the Company) (the "Securities Dealing Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. As the Company's shares were not listed on the Stock Exchange as at 31 December 2017, related rules under the Listing Rules concerning the Model Code that Directors shall observe do not apply to the Company for the Year 2017.

THE BOARD

The Board is responsible for the leadership and control of the Group and oversees the Group's businesses, strategic decisions and performance. The Board has delegated the day-to-day responsibility to the executive Directors and senior management who perform their duties.

Executive Directors
Mr. Lee Bing Kwong *(Chairman and Chief Executive)*
Mr. Lo Yuen Kin

Independent Non-executive Directors
Mr. Cheung Siu Kui
Mr. Yim Kwok Man
Dr. Chow Terence

The biographical information of the Directors and relationship between the Directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 11 to 13 of this annual report.

Chairman and chief executive officer

The Company has appointed Mr. Lee Bing Kwong as the chairman and chief executive officer, who is primarily responsible for overseeing the corporate development and strategic planning of the Group.

Independent Non-executive Directors

In compliance with the Listing Rules, the Company has appointed three Independent non-executive Directors ("INEDs"), representing at least one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. The Company has received written confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules applicable for the period from the Listing Date to the date of this report. The Company is of the view that all Independent non-executive Directors are independent.

Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. Each of the executive Director is engaged on a service agreement for a term of three years or a letter of appointment for independent non-executive Director for a term of two years, and is subject to retirement provision pursuant to the Company's Articles.

In accordance with the Articles, all Directors are subject to retirement by rotation and re-election at annual general meeting at least once every three years and any director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office until the next following general meeting of the Company after his/her appointment and be eligible for re-election at such meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the businesses, strategic decisions and performance of the Group and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Board Proceedings

The Board is required to convene four regular meetings in a financial year with intervals of not more than 4 months. Notices of not less than 14 days is required to be given to all Directors and each Director is invited to include matters in the agenda. The Company Secretary assisted the Chairman in establishing the meeting agenda. Detailed agenda and related meeting materials were circulated to all Directors at least three days before the date of the regular meetings. As the Company was not listed on the Stock Exchange as at 31 December 2017, related rules under the Listing Rules concerning the relevant meeting proceeding that Directors shall observe do not apply to the Company for the year ended 31 December 2017. Meanwhile, the Company has complied with relevant rule of the Listing Rules from its Listing Date to the date of this report accordingly.

Minutes were recorded in sufficient detail and draft minutes have been circulated to all Board members for comments. Finalised minutes were also sent to all Directors for their records within reasonable time after the meetings. All minutes were kept by the Company Secretary and were open for inspection by Directors.

Immediately prior to the Listing, all Directors have been given the relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interest.

Directors' Training

All Directors are required to provide information to the Company with their participation in continuous professional development which is relevant to develop and refresh their knowledge and skills. Every newly appointed Director of the Company will receive a comprehensive, formal and tailored induction package to ensure that he or she has a proper understanding of the Company's operation and business and the relevant statues, common laws, the Listing Rules, legal and regulatory requirements and governance policies. The Company Secretary also provides the updates on the latest development and changes in the Listing Rules and other relevant legal and regulatory requirements to the Board from time to time. All Directors are encouraged to attend relevant training courses at the Company's expense.

The Appointment, Re-election and Removal of Directors

The Articles of Association of the Company contain provisions for the appointment, re-election and removal of Directors.

Appointment of Directors

Subject to the article 83(2) of the Articles of Association of the Company, the Directors shall be elected or appointed in the first place at the statutory meeting of the members and thereafter at the annual general meeting. However, the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board pursuant to Article 83(3) of the Company's Articles of Association.

Re-election of Directors

Article 83(3) of the Company's Articles of Association provides that any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. Pursuant to the article 84(1) of the Company's Articles of Association, one-third of the Directors for the time being shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years at the annual general meeting.

Removal of Directors

Under the Articles 83(5) of the Company's Articles of Association, the members may, at any general meeting and by an ordinary resolution, remove a Director at any time before the expiration of his/her period of office.

BOARD DIVERSITY

The Group adopted the Board Diversity Policy on 15 February 2018. A summary of this policy, together with the implementation are disclosed as below.

Summary of the Board Diversity Policy

The Board Diversity Policy aims to set out the approach to achieve diversity on the Board of the Company. To achieve a sustainable and balanced development, the Company encourages increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing an appropriate composition of the Board, the Board diversity has been considered from a number of perspectives, including but not limited to gender, age and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on applicable merits and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

THE RESPONSIBILITIES OF DIRECTORS

The Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.

The Chairman leads the Board to formulate corporate mission, visions and policies of the Group and to ensure that all Directors are properly briefed on issues.

All Executive Directors actively involve in managing the affairs of the Company with a good understanding of the business, and play important roles in the daily operations, whilst all INEDs participate in the Board meetings and bring their independent views and judgments on various issues.

Each of the INEDs has been appointed with a formal letter of appointment setting out the terms and conditions of their respective appointment. Prior to their respective appointment, each of the INEDs has submitted a written confirmation to the Company and the Stock Exchange confirming their independence and has undertaken to inform the Company and the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence.

INEDs provide the Group with a wide range of skills, expertise and varied backgrounds and qualifications through their regular attendance at various committee meetings and active participation of the Company. They bring independent opinion and judgment on the strategy and policies to ensure that the interests of all shareholders are taken into account.

The Company reviews annually and obtains confirmation of independence from each of the INEDs during their respective terms of appointment. As the Company's shares were listed on the Stock Exchange on 16 March 2018, and the Company was not a listed company during the Year 2017, the Listing Rules was not applicable during that period. Meanwhile, the Company received from each of the INEDs a written confirmation of his independence with reference to rule 3.13 of the Listing Rules applicable for the period from the Listing Date to the date of this report. Based on the confirmations, the Company considers that the INEDs are independent, in compliance with the Listing Rules requirements.

Directors' Securities Transactions

As mentioned above, the Company has made specific enquiry to all Directors and was confirmed by them that they had fully complied with the required standard set in the Model Code during the period from the Listing Date to the date of this report.

Corporate Governance Functions

The Board is responsible for performing the following corporate governance duties:

1. to develop and review the Company's policies and practices on corporate governance and make appropriate recommendations to the Board;

2. to review and monitor the training and continuous professional development of Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

5. to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

DELEGATION BY THE BOARD

While at all times the Board retains full responsibility for guiding and monitoring the operations of the Group, the Board in discharging its duties, delegated certain responsibilities to the senior management team of the Company, including the day-to-day operations of the Group. Such senior management team is accounted for their performance to the Board.

During the Year, each Executive Director frequently met and discussed with the senior management team in order to maintain an effective feedback system and enable the Group to react to changes or problems quickly and efficiently. The Board shall review its arrangement on delegation of responsibilities and authority regularly to ensure that such delegations are appropriate in view of the Company's prevailing circumstances and that appropriate reporting system is in place.

Each Director is free to seek advice from and has access to the Company's senior management team independently.

BOARD COMMITTEES

The Board currently has three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. All the committees are empowered by the Board under the terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee which have been posted on the websites of the Stock Exchange and the Company and are available for inspection by the shareholders of the Company upon request made to the Company Secretary.

Audit Committee

At present, the Audit Committee consists of three INEDs namely:

Mr. Yim Kwok Man *(Chairman)*
Mr. Cheung Siu Kui
Dr. Chow Terence

The Board considers that each Audit Committee member has extensive commercial experience and the Audit Committee has a suitable expertise in various businesses, financial and legal sectors and that the composition and establishment of the Committee complies with the requirements under rule 3.21 of the Listing Rules.

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. It has the responsibilities and powers set forth in the terms of reference. The committee members shall meet at least twice every year to consider the interim and final results prepared by the Board.

No meeting had been held by the Audit Committee during the year ended 31 December 2017 as the Company was listed on the main board of the Stock Exchange on 16 March, 2018. From the Listing Date and up to the date of this report, one Audit Committee meeting was held on 29 March, 2018. All members of the Audit Committee attended the meeting in person and the following matters have been discussed and considered:

(a) reviewed the combined financial statements for the year ended 31 December 2017;

(b) reviewed the Group's internal controls systems and risk management system and discussed with the management on the effectiveness of these systems;

(c) approved the Auditor's remuneration and other terms of engagement for the year ended 31 December 2017;

(d) reviewed and adopted the scope of statutory audit for the year ended 31 December 2017;

(e) reviewed the Auditor's significant findings; and

(f) reviewed the independence of the Auditor.

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.

No meeting had been held by the Remuneration Committee during the year ended 31 December 2017 as the Company was listed on the main board of the Stock Exchange on 16 March 2018. From the Listing Date and up to the date of this report, one Remuneration Committee meeting was held on 29 March 2018 for considering and recommending to the Board the remuneration and other benefits paid by the Company to the Directors and senior management. All members of the Remuneration Committee attended the meeting in person.

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.

The Board has adopted a "Board Diversity Policy" to achieve and maintain diversity on the Board in order to strengthen the performance of the Board, promote effective decision-making and better corporate governance and monitoring. The Company considered that diversity of board members can be achieved through consideration of number of aspects, including but not limited to skills, experience and cultural and educational background, geographical, industry and professional experience, ethnicity, gender, age, knowledge and length of service.

Based on the business needs of the Group, the Nomination Committee has recommended and the Board has adopted the following measurable objectives:

(a) a prescribed proportion of Board members shall be non-executive Directors or independent non-executive Directors; and

(b) a prescribed proportion of Board members shall have obtained accounting or other professional qualifications.

The Nomination Committee shall monitor the implementation of the Board Diversity Policy and review the progress of its measurable objectives from time to time.

No meeting had been held by the Nomination Committee during the year ended 31 December 2017 as the Company was listed on the main board of the Stock Exchange on 16 March 2018. From the Listing Date and up to the date of this report, one Nomination Committee meeting was held on 29 March, 2018 and determined and adopted the Board diversity policy, reviewed the structure, size and composition of the Board, assessed the independence of INEDs and made recommendation to the Board on the appointment or re-appointment of Directors. All members of the Nomination Committee attended the meeting in person.

ATTENDANCE RECORD OF BOARD MEETINGS

Code provision A.1.1 of the CG Code requires that at least four regular Board meetings should be held each year at approximately quarterly intervals, with active participation of a majority of directors, either in person or through other electronic means of communication. As the Company was not a listed company during the year ended 31 December 2017, the above Code provision was not applicable to the Company in 2017.

From the Listing Date and up to the date of this report, one Board meeting and no general meetings were held and the attendance record of each Director is set out in the table below:

Directors	Attended/ Eligible to attend the Board meeting(s)	Attended/ Eligible to attend the general meeting(s)
Mr. Lee Bing Kwong	1/1	N/A
Mr. Lo Yuen Kin	1/1	N/A
Mr. Cheung Siu Kui	1/1	N/A
Mr. Yim Kwok Man	1/1	N/A
Dr. Chow Terence	1/1	N/A

DIRECTORS' RESPONSIBILTY IN RESPECT OF THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 December 2017.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 37 to 42 of this annual report.

AUDITORS' REMUNERATION

An analysis of the remuneration paid/payable to the external auditors of the Company, Graham H. Y. Chan & Co., in respect of audit services and other services for the year ended 31 December 2017 is set out below:

Service	**Fee paid/ payable** HK$'000
Annual audit services	1,100
Other services (mainly as the reporting accountant of the Company in relation to the Listing)	5,267
Total	6,367

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for maintaining an adequate risk management and internal control system to safeguard the interest of the Company and shareholders and through the Audit Committee, reviewing the effectiveness of such system on an annual basis. During the reporting period, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control system of the Company and considered the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function. The Company confirmed that the above risk management and internal control system is adequate and effective.

COMPANY SECRETARY

All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Chairman on board governance matters, and is responsible for ensuring that Board and Board committees procedures are followed, and for facilitating communications among Directors, senior management as well as with Shareholders. During the Financial Year, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of HKEX after each general meeting.

Convening an Extraordinary General Meeting by Shareholders

Pursuant to Article 58 of the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; any such meeting shall be held within two months after deposit of such requisition; and if within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Articles or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following:

Company Secretary
Units 2-3, 1/F.,
Sun Cheong Industrial Building,
1 Cheung Shun Street,
Kowloon, Hong Kong

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Company's business performance and strategies. The Company endeavors to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

The Company maintains a website at www.apexace.com as a communication platform with shareholders of the Company and investors, where the financial information and other relevant information of the Company are available for public access.

Constitutional Documents

In preparation for the Listing, the Company has conditionally adopted the Amended and Restated Memorandum and Articles of Association by special resolution passed on 15 February 2018 which have become effective on 15 February 2018 and 16 March 2018, respectively. Since the Listing Date and up to the date of this report, the Company has not made any changes to the Memorandum and Articles of Association. An up to date version of the Memorandum and Articles of Association is also available on the Company's website and HKEX's website.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

Mr. Lee Bing Kwong, through his interest in Best Sheen Limited, is interested in 75% of the issued Shares. As such Mr. Lee Bing Kwong and Best Sheen Limited are the controlling shareholders (has the meaning ascribed thereto in the Listing Rules) of the Company (collectively, the "Controlling Shareholders"). To ensure that direct and indirect competition does not develop between us and the Controlling Shareholders' other activities, our Controlling Shareholders have entered into a deed of non-competition (the "Deed of Non-Competition") as set out in section headed "Relationship with The Controlling Shareholders And Non-Competition Undertaking" in the Prospectus. The Controlling Shareholders confirmed that they have been in compliance with all the undertakings provided under the Deed of Non-Competition up to the Latest Practicable Date. There are no matters which required to be deliberated by the independent non-executive Directors in relation to the compliance and enforcement of the Deed of Non-Competition and it is considered that the terms of the Deed of Non-Competition have been complied by the Controlling Shareholders.

REPORT OF THE DIRECTORS

The Board is pleased to present the Report of the Directors together with the audited combined financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the sales of electronic components, and sales and integration of storage systems. The shares of the Company was listed on the main board of the Stock Exchange on 16 March 2018 ("Listing Date").

Segment analysis of the Company for the year ended 31 December 2017 is set out in note 6 to the combined financial statements. A list of the Company's subsidiaries, together with their places of incorporation, principal activities and particulars of their issued shares/registered share capital, is set out in note 30 to the combined financial statements.

FINANCIAL RESULTS

The results of the Group for the year ended 31 December 2017 are set out in the combined statement of profit or loss and other comprehensive income on page 43.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the years ended 31 December 2014 to 2017, as set out on page 100 of this annual report, is extracted from the audited combined financial statements and the Prospectus.

SHARE CAPITAL

Details of the movement in the share capital of the Company during the year ended 31 December 2017 are set out in note 26 to the combined financial statements.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017. On 13 February 2018, dividends of HK$15,975,000 have been declared and paid by Apex Team Limited, a wholly owned subsidiary of the Company as at date of this report, to the then controlling shareholder.

DONATIONS

Charitable donations made by the Group during the year amounted to HK$234,000.

BUSINESS REVIEW

A review of the Group's business, financials and prospects is set out in the section "Management Discussion and Analysis" on pages 5 to 10 of this annual report.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to Shareholders by reason of their holding of the Company's securities.

RESERVES

Details of the movements in the reserves of the Group during the year ended 31 December 2017 are set out on page 45 in the combined statement of changes in equity for the year ended 31 December 2017 to this annual report.

DISTRIBUTABLE RESERVES

As of 31 December 2017, the Company had no distributable reserves.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements of our property, plant and equipment during the year ended 31 December 2017 are set out in are set out in note 14 to the combined financial statements.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The Company was listed on the Stock Exchange on the Listing Date with net proceeds received by the Company from the global offering in the amount of approximately HK$116.9 million after deducting underwriting commissions and all related expenses and before the exercise of over-allotment option. The net proceeds received from the global offering will be used in the manner consistent with that mentioned in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

Since the Listing Date and up to the date of this report, the proceeds from the Listing were not applied for any use.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

As the Company was listed on the Stock Exchange on 16 March 2018, no listed securities of the Company was available for purchase, sold or redeem by any of the Company or any of its subsidiaries during the year ended 31 December 2017. Neither of the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company since the Listing Date to the date of this report.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors:
Mr. Lee Bing Kwong *(Chief executive officer)*
Mr. Lo Yuen Kin

Independent non-executive Directors:
Mr. Cheung Siu Kui (appointed on 15 February 2018)
Mr. Yim Kwok Man (appointed on 15 February 2018)
Dr. Chow Terence (appointed on 15 February 2018)

Biographical details of the Directors are set out in "Biographies of Directors and Senior Management" to this annual report. In accordance with the Articles of Association, all Directors shall retire at the forthcoming annual general meeting of the Company (the "2018 AGM") and being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

None of the Directors offering for re-election at the 2018 AGM has a service contract with the Company which is not terminable within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE AND COMPETING BUSINESS

Save as disclosed under note 31 "Related Party Transactions" to the combined financial statements, no transactions, arrangements and contracts of significance (as defined in Appendix 16 to the Listing Rules to which the Company or any of its subsidiaries was a party and in which a Director, an entity connected with a Director or controlling shareholder of the Company or its subsidiaries (other than members of the Group) had a material interest, whether directly or indirectly, subsisting any time during the year ended 31 December 2017 and up to the date of this report.

As of 31 December 2017, none of the Directors is interested in any businesses apart from our business which competes or is likely to compete with our business, either directly or indirectly or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions were set out in note 31 to the combined financial statements. In the opinion of the Directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this report and the reorganisation described in the Prospectus, at no time during the year had the Company or any of its subsidiaries entered into any contract of significance with the controlling shareholder or any of its subsidiaries, nor had any contract of significance been entered into for the services provided by the controlling shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

CONNECTED TRANSACTION

The Directors confirm that none of the related party transactions set out in note 31 to the combined financial statements constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. Save as disclosed in note 31 to the combined financial statements, the Group had not entered into any connected transactions or continuing connected transactions which are required to be disclosed in this report pursuant to the Listing Rules during the reporting period.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As the Company was not listed on the Stock Exchange as of 31 December 2017, Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO were not applicable to the Directors or chief executive of the Company as of 31 December 2017.

As of the date of this report, the interests or short positions of our Directors and chief executives in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), (ii) which were required, under Section 352 of the SFO, to be entered in the register referred to in that section, or (iii) which were required under the Model Code to be notified to the Company and the Stock Exchange, were as follows:

Long positions

		Number of Shares held						
Name of Director	Company concerned	Personal interest	Corporate interests	Family interests	Other interests	Number of underlying Shares	Total	Percentage of issued voting shares of the company concerned
Mr. Lee Bing Kwong	the Company	–	750,000,000 (Note 1)	–	–	–	750,000,000	75%
	Best Sheen Limited (Note 2)	1	–	–	–	–	1	100%
Mr. Lo Yuen Kin	–	–	–	–	–	–	–	–
Mr. Cheung Siu Kui	–	–	–	–	–	–	–	–
Mr. Yim Kwok Man	–	–	–	–	–	–	–	–
Dr. Chow Terence	–	–	–	–	–	–	–	

Note:

1 These Shares are registered in the name of Best Sheen Limited ("Best Sheen"), a company owned as to 100% by Mr. Lee Bing Kwong. As Mr. Lee controls more than one-third of the voting power of Best Sheen, by virtue of the provisions in Part XV of the SFO, Mr. Lee is deemed to be interested in all the Shares held by Best Sheen.

2. Best Sheen Limited is interested in 75% of the issued shares of the and, accordingly, is the holding company of the Company within the meaning of the SFO.

Save as disclosed above, as of the date of this report, so far as is known to the Directors, none of the Directors had or were deemed to have any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified under Divisions 7 and 8 of Part XV of the SFO and/or required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As the Company was not listed on the Stock Exchange as of 31 December 2017, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the Company as of 31 December 2017. As of the date of this report, the interests or short positions of the persons (not being Directors and chief executives of the Company) in the Shares and underlying Shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and/or required to be entered into the register maintained by the Company pursuant to section 336 of the SFO were as follows:

Name	Capacity	Class and number of securities held (L)	Percentage of issued voting Shares
Substantial shareholders			
Best Sheen	Beneficial owner	750,000,000	75%
Ms. Lo Yuen Lai ("Ms. Lo")	Interest of spouse (Note 2)	750,000,000	75%

Notes:

1 The letter "L" denotes the entity/person's long position in the Shares.

2 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. 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 those disclosed above, as at the date of this report, our Directors are not aware of any person (not being Directors and chief executives of the Company) who have interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and/or required to be recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme pursuant to a resolution in writing passed by the Shareholders on 15 February 2018 (the "Share Option Scheme") as incentives or rewards for eligible participants who contribute to the Group.

As at 31 December 2017, there was no Share Option Scheme adopted by the Company and hence there has been no share option granted, exercised, lapsed and cancelled. Summary of major terms of the Share Option Scheme are as follows:

(i) Purposes of the scheme

The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to our Group. The Directors consider the Share Option Scheme will enable the Group to reward the employees, the Directors and other selected participants for their contribution to our Group.

(ii) The Participants

The following persons of the Company, any member of the Group or of an entity ("Invested Entity") in which the Group holds an equity interest may be invited by the Directors to take up options to subscribe for Shares at the Directors' absolute discretion:

(a) employees and directors;

(b) suppliers and customers;

(c) persons or entities that provides research, development or other technological support;

(d) holders of any securities;

(e) advisers (professional or otherwise) or consultants to any area of business or business development; and

(f) 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 the Group.

(iii) Maximum number of Shares

As at 31 December 2017, there was no Share Option Scheme adopted until 15 February 2018 and hence no option under the Share Option Scheme was granted or Shares may be allotted and issued upon exercise of any options. According to the Share Option Scheme, the maximum number of option can be granted is subject to the limit representing 10% of the Shares in issue as at 16 March 2018 on which dealings in the Shares firstly commenced on the Stock Exchange, i.e. 100,000,000 Shares. Such 100,000,000 Shares represents 10% of the issued Shares as at the date of this report.

(iv) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of the options granted to each participant other than a Director, chief executive or substantial shareholders of the Company who accepts the offer for the grant of an option under the Share Option Scheme in any 12-month period shall not exceed 1% of the issued share capital of the Company. Any further grant of options in excess of this limit is subject to Shareholders' approval in a general meeting.

Options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval by the INEDs. Where any grant of options to a substantial shareholder or an INED of the Company, or to any of their associates, in excess of 0.1% of the Shares in issue at the date of grant and with an aggregate value (based on the closing price of the Shares at the date of each grant) in excess of HK$5 million, within any 12-month period, are subject to Shareholders' approval in a general meeting.

(v) Time of acceptance and exercise of option

An offer of the grant of the option may be accepted by a participant within 21 days from the date of the offer of grant of the option. Unless otherwise determined by the Directors and stated in the offer, 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.

(vi) Subscription price for Shares and consideration for the option

The subscription price for Shares will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

A nominal consideration of HK$1.00 is payable on acceptance of the grant of an option.

(vii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on 16 March 2018, the date on which the Share Option Scheme is adopted.

EQUITY-LINK AGREEMENTS

Save for the share-based payment schemes as set out above, no equity-linked agreement that would or might result in the Company issuing shares, or that requiring the Company to enter into an agreement that would or might result in the Company issuing shares, was entered into by the Company during the year of 2017 or subsisted at the end of 2017.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

The controlling shareholders' compliance of the deed of non-competition entered into with the Company on 15 February 2018 is set out in the Corporate Governance Report.

MINIMUM PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of the date of this report, the Company has maintained the prescribed public float as approved by the Stock Exchange since the Listing Date.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the laws of the Cayman Islands (place of incorporation of the Company) or under the Company's articles of association (the "Articles") which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

CORPORATE GOVERNANCE

The Company has adopted the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. The Board considered that during the period from the date of the Listing up to the date of this report, the Company has complied with the applicable code provisions set out in the CG Code except for those disclosed in the Corporate Governance Report included in this report. For details please refer to the "Corporate Governance Report" on pages 14 to 24 of this annual report.

EMOLUMENT POLICY AND SENIOR MANAGEMENT'S EMOLUMENTS

The Directors' fees are subject to shareholders' approval at general meetings. Their emoluments are determined by the Company's Board with reference to market level of remuneration paid by comparable companies and the Directors' respective performance, duties and competence, performance of the Group and the return to the shareholders of the Company.

The five individuals whose remuneration was the highest in the Group in 2017 included one Director and 4 members of the senior management. The annual remuneration of the members of the senior management (other than the Directors) by bands for the year ended 31 December 2017 is set out below:

Remuneration bands	Number of individuals
HK$nil to HK$1,000,000	3
HK$1,000,001 to HK$2,000,000	–
HK$2,000,001 to HK$3,000,000	1

Details of the remuneration of each of the Directors for the year ended 31 December 2017 are set out in note 10(a) to the combined financial statements.

None of the Directors has agreed to waive any emoluments for the year ended 31 December 2017.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or substantial part of the business of the company were entered into or existed during the year ended 31 December 2017.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, generally, the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, changes, losses, damages and expenses for acts done, occurred or omitted in when discharging their duties in the affairs of the Company, other than any matter in respect of any fraud or dishonesty.

In addition, the company has taken out and maintained insurance for the Directors against liabilities to third parties that may be incurred in the course of performing their duties at the date of this report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the five largest customers of the Group comprised 42.5% by value of our total sales during the year, with the largest customer accounted for 12.8%.

For the year ended 31 December 2017, the five largest suppliers of the Group comprised 84.2% by value of our total purchases during the year, with the largest supplier accounted for 34.1%.

None of the Directors, their close associates or a Shareholder (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) has an interest in any of our five largest customers and suppliers.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time from the Listing Date was the Company or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any otherbody corporate.

RISK MANAGEMENT

The following section lists out the key risks and uncertainties faced by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below. Besides, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Financial risks

Details on financial risks on foreign currency, credit on trade receivables and margin financing, liquidity, interest rate and price facing the Group on its operation can be referred to note 33 to combined financial statements included in this annual report on pages 91 to 96.

Seasonality of products demand

Our Group's business is generally seasonal in nature. It is possible that seasonality in demand for our customers' products might affect our Group's sales in the future. Market conditions faced by our customers may be volatile and are beyond the control of the Group. Future downturns in the end markets of our customers may affect the business of our Group.

Reliance on major customers and suppliers

Our stable relationship with our major customers and suppliers enables our business to achieve stable revenue and profitability level. On the other hand, if there are any changes in such relationships, which may lead to withdrawals, cancellations or terminations of transactions, the Group's performance and business growth may be adversely affected.

Evolvement in information technology

Our Group operates in a highly competitive industry which faces rapid changes in market trends, consumer preferences and constantly evolving technological advances in hardware models, software features and functionalities. The ongoing changes in technology require us to constantly incorporate new features or technology into our sensitivity and adaptability to market demand and/or services in order to cope with the evolving environment and customer demands.

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 an adverse impact on the overall global economy and affect all the industries in which the Group operates.

Our business operation may be affected by future economic and political uncertainties in the world

Economic and political uncertainties in the world resulted from major events such as Brexit, the U.S. presidential election or terrorist attack events may have short-term and long-term effects on the global economy and the performance of the global capital markets, which in turn may adversely impact the performance of the Group.

Performance history and forward looking statements

The performance and the results of the operations of the Group as set out in this annual report are historical in nature and past performance is not a guarantee of future performance. This annual report may contain forward looking statements and opinions that involve risks and uncertainties. Actual results may also differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume any obligations or liabilities in the event that any of the forward-looking statements or opinions does not materialize or turns out to be incorrect.

ENVIRONMENTAL POLICIES AND PERFORMANCE

It is our corporate and social responsibility in promoting a sustainable and environmental friendly environment. 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 year ended 31 December 2017, our Group had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations.

COMPLIANCE WITH LAWS AND REGULATIONS

Our operations are mainly carried out by the Company's subsidiaries in Hong Kong and China while the Company itself is listed on the Stock Exchange. Our operations shall comply with relevant laws and regulations in China and Hong Kong.

During the year ended 31 December 2017 and up to the date of this report, the Group has complied with all the relevant laws and regulations in China and Hong Kong in all material respects.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group is constantly aware of the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. We encourages employees to strengthen their knowledge of the industries in which the Group operate and attend courses or training sessions to improve their relevant industry and technical knowledge. The Group also maintains ongoing communications with its employees, customers and suppliers through various channels such as regular meetings, calls and emails in order to allow employees to contribute to the development of the Group, deliver better customer services to our clients and obtain better services and cooperation from our suppliers.

REPORT OF THE DIRECTORS

EVENT AFTER THE REPORTING PERIOD

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 "Reorganisation" under the section headed "History, Reorganisation and Group Structure" in the Prospectus.

On 15 February 2018, the authorised 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.

On March 16, 2018, the Company was listed on the Main Board of The Stock Exchange with the global offering of ordinary shares of HK$0.01 each of the Company, including, a public offering in Hong Kong of 125,000,000 Shares and an international offering of 125,000,000 Shares, in each case at a price of HK$0.50 per share (the Global Offering"). The net proceeds from the Global Offering amounting to approximately HK$116.9 million (after deduction of underwriting fees and any discretionary incentive fee) were received on 16 March and 20 March 2018.

AUDITOR

The combined financial statements for the year ended 31 December 2017 have been audited by Graham H. Y. Chan & Co, who will retire at the conclusion of the AGM and offer themselves for re-appointment. A resolution for the re-appointment of Graham H. Y. Chan & Co. as the auditor of the Company will be proposed at the AGM.

On behalf of the Board

Lee Bing Kwong
Chairman
Hong Kong, 29 March 2018

事務所 會計師 陳浩賢

GRAHAM H. Y. CHAN & CO.
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)
HONG KONG

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF APEX ACE HOLDING LIMITED
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the combined financial statements of Apex Ace Holding Limited (the "Company") and its subsidiaries (collectively referred to as, the "Group") set out on pages 43 to 99, which comprise the combined statement of financial position as at 31 December 2017, and the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the year then ended, and notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, the combined financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Combined Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the combined financial statements of the current period. These matters were addressed in the context of our audit of the combined financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

1. Revenue recognition;

2. Impairment assessment of trade receivables; and

3. Provision for inventories.

KEY AUDIT MATTERS (CONTINUED)

1. Revenue recognition

Nature of the key audit matter	How our audit addressed the key audit matter
Revenue principally comprises sales of digital storage products and general electronic components. We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and therefore it gives rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation.	Our audit procedures to assess the recognition of revenue included the following: – Assessing the design, implementation and operating effectiveness of key internal controls over revenue recognition; – Obtaining confirmations from major customers to ascertain the amounts of sales to them from the Group for the year; – Assessing, on a sample basis, whether revenue transactions recorded during the year had been reocognised in the appropriate period by comparing the transactions selected with relevant underlying documentation, including customers' purchase orders, goods delivery notes and sales invoices; – Scrutinising the delivery notes before and after the year end on a sample basis to assess whether revenue is recognised in the correct period; – Scrutinizing the sales ledger after the year end to identify significant credit notes issued and sales returns and inspecting relevant underlying documentation to assess if the related revenue had been accounted for in the appropriate period in accordance with the requirements of the prevailing accounting standards; and – Inspecting significant manual adjustments to revenue raised during the year, enquiring of management about the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

KEY AUDIT MATTERS (CONTINUED)

2. Impairment assessment of trade receivables

Nature of the key audit matter	How our audit addressed the key audit matter
We identified the impairment assessment of trade receivables as a key audit matter due to the use of judgement and estimates in assessing the recoverability of trade receivables. As disclosed in note 5 to the combined financial statements, in determining the allowance for trade receivables, the management considers the ageing analysis of trade debts, the current creditworthiness of the customers and the past collection history of each debtor. At 31 December 2017, the carrying amount of trade receivables was HK$642,336,000 (net of allowance for doubtful debts of HK$2,119,000).	Our audit procedures to assess the impairment of trade receivables included the following: – Understanding the Group's key internal control in preparing ageing analysis of trade receivables; – Re-computing the accuracy of ageing analysis of trade receivables and testing the accuracy of the ageing analysis by, on a sample basis, checking to source documents; – Obtaining confirmations from debtors, on a sample basis, to verify the accuracy of the debtor balances; – Reviewing the subsequent settlement of trade receivables and checking the subsequent settlement, on a sample basis, to the related sales invoices and bank records; – Assessing the reasonableness of impairment assessment made by the management with reference to the credit history of the customers, subsequent settlement and ageing analysis of trade receivables; and – Assessing the adequacy of the credit risk disclosures in relation to trade receivables

KEY AUDIT MATTERS (CONTINUED)

3. Provision for inventories

Nature of the key audit matter	How our audit addressed the key audit matter
We identified the provision for inventories as a key audit matter due to use of judgement in determining the appropriate levels of inventory provision. As disclosed in note 5 to the combined financial statements, in determining the allowance for slow-moving and obsolete inventories, the management takes into accounts the ageing, net realisable value and subsequent sales of inventories. At 31 December 2017, the carrying amount of inventories was HK$174,631,000 and a written down of inventories amounted to HK$305,000 was made for the year.	Our audit procedures in relation to provision for inventories included the following: – Understanding the inventory impairment policy of the Group and management's assessment in estimating the net realisable values of the inventories; – Assessing the reasonableness of management's estimates of the net realisable value of inventories with reference to ageing of the inventories, subsequent sales of inventories, latest selling prices, and estimates for costs to make sales; – Testing the accuracy of the ageing analysis of the inventories by, on a sample basis, checking to the source documents; and – Enquiring the sales team of the Group about the expected sales of the slow-moving or long-outstanding inventories.

INFORMATION OTHER THAN THE COMBINED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the combined financial statements and our auditor's report thereon.

Our opinion on the combined financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the combined financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the combined financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE COMBINED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of combined financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE COMBINED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

– Indentify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other things, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the combined financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is CHAN Ho Yin, Graham.

Graham H.Y. Chan & Co.
Certified Public Accountants (Practising)
Hong Kong

29 March 2018

COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The year ended 31 December 2017
(Expressed in Hong Kong dollars)

	Note	2017 $'000	2016 $'000
REVENUE	6	**2,840,308**	1,702,322
Cost of sales		**(2,698,945)**	(1,608,030)
GROSS PROFIT		**141,363**	94,292
Other income	7	**2,496**	2,482
Increase in fair value of investment property		**2,200**	300
Distribution and selling expenses		**(15,937)**	(7,840)
Administrative expenses		**(60,745)**	(31,239)
Finance costs	8	**(11,368)**	(4,178)
PROFIT BEFORE TAX	9	**58,009**	53,817
Income tax expense	11	**(12,642)**	(8,982)
PROFIT FOR THE YEAR		**45,367**	44,835
OTHER COMPREHENSIVE INCOME (EXPENSE)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**147**	(65)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**45,514**	44,770
Profit for the year attributable to:			
– Owners of the Company		**34,986**	39,741
– Non-controlling interests		**10,381**	5,094
		45,367	44,835
Total comprehensive income for the year attributable to:			
– Owners of the Company		**35,133**	39,676
– Non-controlling interests		**10,381**	5,094
		45,514	44,770
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	12		
– Basic		**4.66 HK cents**	5.30 HK cents
– Diluted		**N/A**	N/A

The notes on pages 48 to 99 form part of these combined financial statements.

COMBINED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

(Expressed in Hong Kong dollars)

	Note	2017 $'000	2016 $'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**51,263**	52,007
Investment properties	15	**51,600**	49,400
Total non-current assets		**102,863**	101,407
CURRENT ASSETS			
Inventories	16	**174,631**	116,021
Trade receivables	17	**642,336**	306,284
Other receivables, deposits and prepayments	18	**95,308**	20,343
Bank balances and cash	19	**66,302**	55,971
Total current assets		**978,577**	498,619
CURRENT LIABILITIES			
Trade payables	20	**360,857**	159,268
Other payables, accruals and deposit received	21	**20,647**	13,556
Amount due to a director	22	**8,247**	2,801
Amounts due to related parties	23, 35(a)	**1,560**	4,929
Bank borrowings, secured	24, 35(a)	**479,486**	262,434
Tax payable		**10,019**	4,565
Total current liabilities		**880,816**	447,553
NET CURRENT ASSETS		**97,761**	51,066
TOTAL ASSETS LESS CURRENT LIABILITIES		**200,624**	152,473
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	**290**	306
NET ASSETS		**200,334**	152,167
CAPITAL AND RESERVES			
Share capital	26	**–**	–
Reserves		**184,952**	147,073
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		**184,952**	147,073
Non-controlling interests		**15,382**	5,094
TOTAL EQUITY		**200,334**	152,167

The combined financial statements on pages 43 to 99 were approved and authorised for issue by the board of directors on 29 March 2018 and were signed on its behalf by

Lee Bing Kwong
Director

Lo Yuen Kin
Director

The notes on pages 48 to 99 form part of these combined financial statements.

COMBINED STATEMENT OF CHANGES IN EQUITY

For The year ended 31 December 2017
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company						
	Share capital $'000	Other reserve $'000 (Note)	Exchange reserve $'000	Retained earnings $'000	Subtotal $'000	Non-controlling interests $'000	Total equity $'000
BALANCE AT 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 the then controlling shareholder to the Group	(3,000)	3,000	–	–	–	–	–
Others	–	86	–	–	86	–	86
BALANCE AT 31 DECEMBER 2016 AND 1 JANUARY 2017	–	3,054	(31)	144,050	147,073	5,094	152,167
Profit for the year	–	–	–	34,986	34,986	10,381	45,367
Other comprehensive income for the year	–	–	147	–	147	–	147
Total comprehensive income for the year	–	–	147	34,986	35,133	10,381	45,514
Acquisition of non-controlling interests	–	–	–	2,714	2,714	(4,897)	(2,183)
Capital injection by non-controlling shareholder	–	–	–	–	–	4,804	4,804
Others	–	32	–	–	32	–	32
BALANCE AT 31 DECEMBER 2017	–	3,086	116	181,750	184,952	15,382	200,334

Note: Other reserve mainly represents the difference between the historical cost of the shares of a subsidiary paid by the then controlling shareholder and the consideration paid by the Group in exchange.

The notes on pages 48 to 99 form part of these combined financial statements.

COMBINED STATEMENT OF CASH FLOWS

For The year ended 31 December 2017
(Expressed in Hong Kong dollars)

	Note	**2017 $'000**	2016 $'000
OPERATING ACTIVITIES			
Profit before tax		**58,009**	53,817
Adjustments for:			
Increase in fair value of investment property		**(2,200)**	(300)
Gain on disposal of property, plant and equipment		**(88)**	–
Interest income		**(21)**	(25)
Depreciation		**2,420**	1,340
Write-down of inventories		**305**	–
Exchange gain on capitalising shareholder loan		**(249)**	–
Gain on disposal of a subsidiary		**(11)**	–
Finance costs		**11,368**	4,178
Operating cash flows before working capital changes		**69,533**	59,010
Increase in inventories		**(58,915)**	(55,084)
Increase in trade receivables		**(336,052)**	(135,678)
Increase in other receivables, deposits and prepayments		**(74,965)**	(6,419)
Increase in trade payables		**201,589**	101,158
increase in other payables, accruals and deposit received		**7,091**	3,786
Advance from/(to) a director		**5,489**	(30,955)
Cash generated used in operating activities		**(186,230)**	(64,182)
Interest income received		**21**	25
Tax paid		**(7,213)**	(7,245)
NET CASH USED IN OPERATING ACTIVITIES		**(193,422)**	(71,402)
INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment		**(1,213)**	(49,266)
Increase of pledged fixed deposit		**(1,956)**	–
Sales proceeds received from the disposal of property, plant and equipment		**96**	–
NET CASH USED IN INVESTING ACTIVITIES		**(3,073)**	(49,266)

COMBINED STATEMENT OF CASH FLOWS

For The year ended 31 December 2017
(Expressed in Hong Kong dollars)

	Note	2017 $'000	2016 $'000
FINANCING ACTIVITIES			
New bank instalment loans raised	35(a)	**7,923**	20,200
Repayment of bank instalment loans	35(a)	**(5,838)**	(1,534)
Net increase in factoring loans	35(a)	**78,009**	63,087
Net increase in other bank borrowings	35(a)	**136,810**	63,711
Interests on bank borrowings paid	35(a)	**(11,368)**	(4,178)
Advance from related parties	35(a)	**1,560**	19,007
Payment for acquisition of non-controlling interests		**(2,183)**	–
Proceeds from issue of share capital to non-controlling shareholders		**124**	–
NET CASH FROM FINANCING ACTIVITIES		**205,037**	160,293
NET INCREASE IN CASH AND CASH EQUIVALENTS		**8,542**	39,625
Cash and cash equivalents at beginning of year		**55,971**	16,128
Effect of foreign exchange rate change		**(315)**	218
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**64,198**	55,971
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
Cash at banks and on hand		**64,346**	55,971
Bank overdrafts		**(148)**	–
		64,198	55,971

The notes on pages 48 to 99 form part of these combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars unless otherwise indicated)

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. The immediate and ultimate holding company of the Company is Best Sheen Limited, a limited liability company incorporated in the British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in the 'Corporate Information' section of the annual report.

The Company is an investment holding company, the principal activities of its subsidiaries are set out in note 30.

The Company has its primary listing on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 March 2018.

The combined financial statements are 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 BASIS OF PREPARATION OF COMBINED FINANCIAL STATEMENTS

Pursuant to the group reorganisation (the "Reorganisation") as detailed in the subsection headed "Reorganisation" under the section headed "History, Reorganisation and Group Structure" in the prospectus of the Company dated 28 February 2018 (the "Prospectus"), the Company became the holding company of all subsidiaries now comprising the Group subsequent to the end of the current year on 15 February 2018. The companies now comprising the Group, were under the common control of the controlling shareholder, Mr. Lee Bing Kwong ("Mr. Lee"), before and after the Reorganisation. Accordingly, the Group's financial statements have 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 year ended 31 December 2016 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 years ended 31 December 2017 and 2016 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 years, 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 2017 and 2016 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.

(Expressed in Hong Kong dollars unless otherwise indicated)

3 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 combined financial statements, the Group has adopted all these new and revised HKFRSs to the extent that they are applicable to the Group consistently throughout the years ended 31 December 2017 and 2016.

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 combined financial statements.

HKFRS 9	Financial Instruments [1]
HKFRS 15	Revenue from Contracts with Customers [1]
HKFRS 16	Leases [2]
HKFRS 17	Insurance Contracts [4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration [1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatment [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 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts [1]
Amendments to HKFRS 9	Prepayment of Features with Negative Compensation [2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between Investor and its Associate or Joint Venture [3]
Amendments to HKAS 28	Long-term Interests 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
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle [2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

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.

3 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

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 year ended 31 December 2017, 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 HKFRS15 upon its adoption.

3 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

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 28, total operating lease commitment of the Group as at 31 December 2017 amounting to HK$2,163,000. 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.

4 SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements have 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 combined financial statements 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 preparation of the combined financial statements 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 combined financial statements, are disclosed in note 5 below.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Combination

The Group's 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 year 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 combination.

Business combination involving entities under common control

The combined financial statements incorporate 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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Combination (Continued)

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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 date, 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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial instruments (Continued)

Financial liabilities and equity (Continued)

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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Taxation (Continued)

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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Foreign currencies (Continued)

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.

(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) 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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Related parties (Continued)

(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).

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, 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 the involving estimations, which have significant effect on the amounts recognised in the financial statements.

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Acquisition of assets

The Group acquired the equity interests in I-Sky Electronic Limited ("I-Sky") held by spouse of Mr. Lee, Ms. Lo in the year ended 31 December 2016 (the "Acquisitions"). As 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 2017, the carrying amounts of trade receivables are approximately HK$642,336,000 (2016: HK$306,284,000). Allowance for impairment of HK$2,119,000 is made on trade receivables at 31 December 2017 (2016: HK$2,119,000).

Allowance for slow-moving and obsolete inventories

Allowance for slow-moving and obsolete inventories is made based on the ageing, estimated net realisable value and subsequent sales 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 2017, the carrying amounts of inventories are approximately HK$174,631,000 (2016: HK$116,021,000). During the year ended 31 December 2017, a written down of inventories amounted to approximately HK$305,000 was made (2016: nil).

5 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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 15.

6 REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received and receivable for goods sold and services provided by the Group at invoiced value, net of returns and discounts. An analysis of the Group's revenue recognised during the year is as follows:

	Year ended 31 December	
	2017	2016
	$'000	$'000
Sales of goods	**2,840,308**	1,701,978
Service income	**–**	344
	2,840,308	1,702,322

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 and 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 4 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.

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

The following tables represent segment information of the Group provided to the management for the years:

	Year ended 31 December	
	2017	2016
	$'000	$'000
Segment revenue		
Memory products	**1,799,083**	1,027,422
Data and Cloud products	**655,122**	553,734
General components	**386,103**	121,166
Total reportable segment revenue	**2,840,308**	1,702,322
Segment results		
Memory products	**72,255**	54,508
Data and Cloud products	**41,637**	30,514
General components	**27,471**	9,270
Total reportable segment profit	**141,363**	94,292
Other income	**2,496**	2,482
Fair value change of investment property	**2,200**	300
Finance costs	**(11,368)**	(4,178)
Depreciation of property, plant and equipment	**(2,420)**	(1,340)
Unallocated corporate expenses	**(74,262)**	(37,739)
Profit before tax	**58,009**	53,817
Income tax expenses	**(12,642)**	(8,982)
Profit after tax	**45,367**	44,835

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the years. 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 is based on the physical location of the assets.

6 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information (Continued)

Geographical information (Continued)

	Year ended 31 December	
	2017	2016
	$'000	$'000
Revenue from external customers		
Hong Kong	**421,363**	369,985
The PRC	**2,391,476**	1,297,625
Others	**27,469**	34,712
	2,840,308	1,702,322

	As at 31 December	
	2017	2016
	$'000	$'000
Non-current assets		
Hong Kong	**95,961**	95,518
The PRC	**6,902**	5,889
	102,863	101,407

Information about major customers

The Group's revenue from customers which accounted for 10% or more of the Group's total revenue are as follows:

	Year ended 31 December	
	2017	2016
	$'000	$'000
Customer A	**362,412**	297,396
Customer B	**345,087**	N/A*

Sales to customer A and customer B 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.

7 OTHER INCOME

	Year ended 31 December	
	2017	2016
	$'000	$'000
Bank interest income	**21**	25
Rental income	**1,620**	1,652
Gain on disposal of property, plant and equipment	**88**	–
Gain on disposal of a subsidiary	**11**	–
Sundry income	**756**	805
	2,496	2,482

8 FINANCE COSTS

	Year ended 31 December	
	2017	2016
	$'000	$'000
Discounting charges on factoring loans	**6,838**	2,622
Interests on other bank borrowings	**4,530**	1,556
	11,368	4,178

9 PROFIT BEFORE TAX

Profit before tax has been arrived at after charging and (crediting):

	Year ended 31 December	
	2017	2016
	$'000	$'000
Cost of inventories recognised as an expenses	**2,698,640**	1,608,030
Write-down of inventories	**305**	–
Auditor's remuneration		
– Current year	**1,125**	467
– Overprovision for prior year	**(20)**	–
Depreciation of property, plant and equipment	**2,420**	1,340
Listing expenses	**14,676**	115
Net foreign exchange (gain)/loss	**(1,845)**	1,293
Operating lease charges in respect of land and buildings	**1,697**	1,800
Staff costs including director's emoluments		
– Basic salaries and allowance	**23,386**	18,243
– Contributions to defined contribution retirement plans	**1,788**	1,075
– Messing and welfare	**1,021**	648

10 REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

During the year, 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 2017

	Executive director		
	Mr. Lee Bing Kwong $'000	Mr. Lo Yuen Kin $'000	Total $'000
Directors' fee	**–**	**–**	**–**
Other emoluments			
Salaries, allowances and benefits in kind	**1,679**	**240**	**1,919**
Retirement scheme contributions	**95**	**12**	**107**
	1,774	**252**	**2,026**
Year ended 31 December 2016			
Directors' fee	–	–	–
Other emoluments			
Salaries, allowances and benefits in kind	1,599	176	1,775
Retirement scheme contributions	–	9	9
	1,599	185	1,784

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 year, all independent non-executive directors have not yet been appointed and received nil directors' remuneration in the capacity of directors of the Company.

10 REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) Five highest paid individuals' remuneration

The five highest paid individuals of the Group included one director of the Company for the years ended 31 December 2017 and 2016, details of whose emoluments are included in the disclosures in note 10(a) above. The emoluments of the remaining four highest paid individuals during the years are as follows:

	Year ended 31 December	
	2017	2016
	$'000	$'000
Salaries and other emoluments	**4,195**	3,686
Retirement scheme contributions	**30**	24
Welfare and other expenses	**–**	21
	4,225	3,731

The emolument of the remaining four is within the following bands:

	2017	2016
	Number	Number
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$3,000,000	**1**	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 years. In addition, the directors of the Company have not waived any emoluments during the years.

11 INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	$'000	$'000
Current tax:		
Hong Kong Profits Tax	**12,437**	8,429
PRC tax	**218**	–
Under-provision in prior years – Hong Kong profits tax	**4**	–
	12,659	8,429
Deferred tax (note 25)	**(17)**	553
Total income tax expense recognised in profit or loss for the year	**12,642**	8,982

Hong Kong Profits Tax has been provided at a rate of 16.5% (2016: 16.5%) based on the estimated assessable profit arising in Hong Kong during the year.

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 year. No Enterprise Income Tax has been provided in 2016 as the PRC subsidiary has allowable tax losses brought forward which exceed its estimated assessable profit in 2016.

The income tax expense for the year 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	
	2017	2016
	$'000	$'000
Profit before tax	**58,009**	53,817
Tax at the applicable income tax rate of 16.5% (2016: 16.5%)	**9,571**	8,879
Tax effect of expenses not deductible for tax purpose	**4,013**	122
Tax effect of income not taxable for tax purpose	**(364)**	(86)
Tax effect of utilisation of tax losses previously not recognised	**(302)**	(33)
Tax effect of tax losses not recognised	**–**	38
Tax effect of deductible temporary differences not recognised	**(28)**	61
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**(252)**	1
Under-provision in prior years	**4**	–
Income tax expense for the year	**12,642**	8,982

12 EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company for the year is based on the following data:

	2017 **$'000**	2016 $'000
Earnings		
Profit for the year attributable to owners of the Company	**34,986**	39,741

	2017	2016
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**750,000,000**	750,000,000

The weighted average number of ordinary shares as presented above has taken into account of the Reorganisation and the Capitalization issue of 749,999,900 shares, which is effective on 16 March, 2018, the listing date of the Company. Accordingly, the weighted average number of ordinary shares in issue have been adjusted retrospectively as if it was effective from 1 January 2016.

No diluted earnings per share is presented as the Company did not have any dilutive potential ordinary shares for the years ended 31 December 2017 and 2016.

13 DIVIDENDS

The Board of Directors did not recommend any dividend for the year (2016: Nil).

On 13 February 2018, dividends of HK$15,975,000 have been declared and paid by Apex Team Limited to the then controlling shareholder.

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building $'000	Leasehold improvement $'000	Furniture and fixtures $'000	Computer and office equipment $'000	Motor vehicle $'000	Total $'000
Cost						
At 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**	**359**	**820**	**1,213**
Disposal	**–**	**–**	**–**	**(35)**	**(325)**	**(360)**
Exchange realignment	**456**	**–**	**–**	**11**	**43**	**510**
As at 31 December 2017	**50,483**	**1,282**	**943**	**1,818**	**851**	**55,377**
Accumulated depreciation						
At 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 year	**1,692**	**256**	**181**	**269**	**22**	**2,420**
Disposal	**–**	**–**	**–**	**(28)**	**(324)**	**(352)**
Exchange realignment	**24**	**–**	**–**	**3**	**12**	**39**
As at 31 December 2017	**2,773**	**297**	**244**	**793**	**7**	**4,114**
Net book value						
As at 31 December 2017	**47,710**	**985**	**699**	**1,025**	**844**	**51,263**
As at 31 December 2016	48,970	1,230	857	934	16	52,007

The leasehold land and building of HK$41,939,000 have been mortgaged to secure general banking facilities granted to the Group at 31 December 2017 (2016: HK$43,361,000).

The Group's leasehold land and buildings, included above at cost, were valued at HK$55,120,000 as at 31 December 2017 in the prospectus issued on 28 February 2018 in connection with the listing of the Company's shares on 16 March 2018. Had the Group's buildings been included in these financial statements at such valuation amount throughout the year ended 31 December 2017, an additional depreciation charge of HK$73,000 would have been recognised in the combined statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net book value of leasehold land and building at the end of the year are analysed by the term of the leases are as follows:

	2017	2016
	$'000	$'000
In Hong Kong		
– Medium term leases	**41,939**	43,361
In the PRC		
– Medium term leases	**4,824**	4,689
– Long term leases	**947**	920
	47,710	48,970

15 INVESTMENT PROPERTIES

	2017	2016
	$'000	$'000
At fair value		
At 1 January	**49,400**	49,100
Fair value adjustment	**2,200**	300
At 31 December	**51,600**	49,400

The Group's investment properties are commercial properties situated in Hong Kong and leased out to third parties. The investment properties were revalued by International Valuation Limited as at 31 December 2017 and 2016 on an open market value basis. It is independent professional valuer, 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 2017 and 2016 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 the then market values, which are then discounted for the respective remaining lease term of the tenancy of the properties.

The investment properties have been mortgaged to secure general banking facilities granted to the Group at 31 December 2017 and 2016.

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:

15 INVESTMENT PROPERTIES (CONTINUED)

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 year are as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurements				
Commercial properties located in Hong Kong				
31 December 2017	**–**	**–**	**51,600**	**51,600**
31 December 2016	–	–	49,400	49,400

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the year 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 2017 and 2016.

The fair value measurement for investment properties as at 31 December 2017 and 2016 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:

Valuation technique	Key unobservable inputs	As at 31 December 2017	As at 31 December 2016	Inter-relationship between key unobservable inputs and fair value measurement
Income capitalisation method	Capitalisation rate (per annum)	**3.05%–3.20%**	3.25%–3.40%	Increase in the capitalisation rate, decrease in fair value of the investment property
	Market unit value per square feet	**HK$17,500**	HK$17,000	Increase in market unit value, increase in fair value of the investment property

15 INVESTMENT PROPERTIES (CONTINUED)

The movements during the year in the balance of the Level 3 fair value measurements are as follows:

	HK$'000
At 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	2,200
At 31 December 2017	51,600

The gains recognised in profit or loss for the year arise from the investment properties held at the end of the year.

16 INVENTORIES

	2017 **$'000**	2016 $'000
Trading inventories	**174,631**	116,021

17 TRADE RECEIVABLES

	2017 **$'000**	2016 $'000
Trade receivables	**644,455**	308,403
Less: allowance for impairment	**(2,119)**	(2,119)
	642,336	306,284

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 the 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.

17 TRADE RECEIVABLES (CONTINUED)

The following is an ageing analysis of trade receivables based on the invoice date:

	2017	2016
	$'000	$'000
0 – 30 days	**304,722**	164,683
31 – 60 days	**172,688**	107,463
61 – 90 days	**104,106**	22,455
More than 90 days	**62,939**	13,802
	644,455	308,403
Less: Allowance for impairment	**(2,119)**	(2,119)
	642,336	306,284

At 31 December 2017, included in the Group's trade receivables balance were debtors with aggregate carrying amount of approximately HK$133,752,000 (2016: HK$49,135,000) which are past due as at the reporting date 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 year is as follows:

	2017	2016
	$'000	$'000
At 1 January	**2,119**	2,119
Impairment loss recognised	**–**	–
At 31 December	**2,119**	2,119

At 31 December 2017 and 2016, 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.

17 TRADE RECEIVABLES (CONTINUED)

An aged analysis of the Group's trade receivables which are past due but not impaired is as follows:

	2017 $'000	2016 $'000
Less than 1 month past due	89,930	42,604
1 to 3 months past due	32,354	6,531
More than 3 months past due	11,468	–
	133,752	49,135

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.

At 31 December 2017, trade receivables of the Group with an aggregate carrying amount of HK$466,805,000 (2016: HK$214,476,000) have been assigned to banks to secure the general banking facilities of the Group.

18 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017 $'000	2016 $'000
Other receivables	171	3,873
Deposit for purchase	91,812	15,243
Prepayment of listing expenses	1,470	–
Utilities and other deposits	664	380
Prepaid expenses	1,191	847
	95,308	20,343

19 BANK BALANCES AND CASH

	2017 $'000	2016 $'000
Cash at banks and on hand	64,346	55,971
Pledged fixed deposit	1,956	–
	66,302	55,971

Bank balances and cash comprise cash and short-term deposits held with financial institutions and carry interest at prevailing market rates.

19 BANK BALANCES AND CASH (CONTINUED)

As at 31 December 2017, the Group places approximately HK$5,493,000 (2016: HK$1,073,000) 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 31 December 2017, the fixed deposit of HK$1,956,000 was pledged to secure general banking facilities granted to the Group and it had maturity of three months.

20 TRADE PAYABLES

	2017	2016
	$'000	$'000
Trade payable	**360,857**	159,268

An ageing analysis of the Group's trade payables presented based on the invoice date at the end of each reporting date, is as follows:

	2017	2016
	$'000	$'000
0 – 30 days	**190,721**	147,889
31 – 60 days	**120,533**	9,497
61 – 90 days	**48,368**	339
More than 90 days	**1,235**	1,543
	360,857	159,268

21 OTHER PAYABLES, ACCRUALS AND DEPOSIT RECEIVED

	2017	2016
	$'000	$'000
Other payables and accruals	**18,458**	12,229
Value added tax payables	**10**	259
Customer deposit received	**1,774**	663
Rental deposit received	**405**	405
	20,647	13,556

Included in the Group's other payables and accruals at 31 December 2017 is director's emoluments of approximately HK$1,319,000 payable to Mr. Lee (2016: HK$3,039,000) and salary of HK$520,000 payable to Ms. Lo (2016: HK$840,000).

22 AMOUNT DUE TO A DIRECTOR

	2017	2016
	$'000	$'000
Mr. Lee Bing Kwong	**8,247**	2,801

The amount is non-trade in nature, unsecured, interest-free and has no fixed terms of repayment.

23 AMOUNTS DUE TO RELATED PARTIES

	2017	2016
	$'000	$'000
Mr. Pai Yi Lin ("Mr. Pai")	**–**	4,929
Mr. Lee Chak Hol ("Mr. CH Lee")	**1,560**	–
	1,560	4,929

Note:

Mr. Pai is a director and non-controlling shareholder of subsidiaries of the Group.

Mr. CH Lee is son of director, Mr. Lee.

The amount is non-trade in nature, unsecured, interest-free and has no fixed terms of repayment.

24 BANK BORROWINGS, SECURED

	2017 $'000	2016 $'000
Current liabilities		
Factoring loans	**225,000**	146,991
Other bank loans	**226,246**	89,436
Bank instalment loans		
– portion of loans due for repayment within one year	**7,182**	2,549
– portion of loans due for repayment after one year which contain a repayment on demand clause	**20,910**	23,458
Bank overdrafts	**148**	–
	479,486	262,434

(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 2.87% to 3.70% per annum at 31 December 2017 (2016: 2.18% to 3.00%).

Other bank loans represent import loans, trust receipts loans and revolving loan which are variable-rate borrowings and carry effective interest rate ranging from 2.60% to 4.41% per annum at 31 December 2017 (2016: 2.10% to 3.70%).

Bank instalment loans are variable-rate borrowings and carry effective interest rate of 1.79% to 2.72% per annum at 31 December 2017 (2016: 1.37% to 2.18%).

Bank overdrafts are variable-rate borrowings and carry interest at 0.5% below prime rate per annum.

24 BANK BORROWINGS, SECURED (CONTINUED)

(iii) During the year, 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 authorised 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:

	2017 Trade receivables transferred under factoring agreements $'000	2016 Trade receivables transferred under factoring agreements $'000
Carrying amount of transferred assets	**407,426**	188,763
Carrying amount of associated liabilities	**225,000**	146,991

(iv) At 31 December 2017, the banking facilities of the Group were secured by trade receivables of the Group with an aggregate carrying amount of HK$466,805,000, the legal charge over the investment properties of the Group, leasehold land and buildings of HK$41,939,000 of the Group, bank deposit of the Group of HK$1,956,000, 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.

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.

24 BANK BORROWINGS, SECURED (CONTINUED)

(v) At 31 December 2017 and 2016, the bank instalment 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:

	2017 **$'000**	2016 $'000
Within one year	**7,182**	2,549
After one year but within two years	**2,620**	2,598
After two years but within five years	**7,151**	7,881
After five years	**11,139**	12,979
	28,092	26,007

25 DEFERRED TAX LIABILITIES

	Accelerated tax depreciation HK$'000	**Provision for impairment** HK$'000	**Tax losses** HK$'000	**Total** HK$'000
The Group				
Balance at 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 year	(25)	–	9	(16)
Balance at 31 December 2017	**290**	**–**	**–**	**290**

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.

25 DEFERRED TAX LIABILITIES (CONTINUED)

The following are the major deferred tax assets not recognised in the combined statement of financial position:

	2017	2016
	$'000	$'000
Other assets	**42**	66
Tax loss	**–**	292
	42	358

No deferred tax asset has been recognised in respect of the above items due to unpredictability of future profit streams. At 31 December 2017, the Group has no unused tax losses. At 31 December 2016, the Group had unused tax losses of approximately HK$1,303,000 available for offset against future profits. Deferred tax asset had 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 expired according to the EIT Law.

26 SHARE CAPITAL

For the purpose of presenting the share capital of Group prior to the Reorganisation in the combined statement of financial position, the balances as at 31 December 2017 and 2016 represented the combined share capital of the Company and Apex Team Limited.

The Company was incorporated on 4 July 2012 in the Cayman Islands with an authorised 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. At 1 January 2016, 31 December 2016 and 2017, Apex Team Limited issued 1 share of US$1 (equivalent to HK$7.8) each.

Details of the share capital of the Company are as follows:

	Number of shares	**Amount**
		HK$
The Company		
Ordinary shares of HK$0.01 each		
Authorised:		
As at 31 December 2016 and 2017	38,000,000	380,000
Issued and alloted:		
As at 31 December 2016 and 2017	1	0.01

27 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$1,788,000 for the year ended 31 December 2017 (2016: HK$1,075,000), 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.

28 OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of 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:

	2017	2016
	$'000	$'000
Within one year	**1,676**	537
In the second to fifth years, inclusive	**487**	–
	2,163	537

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.

28 OPERATING LEASE COMMITMENTS (CONTINUED)

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. Subsequent to the end of the reporting period, the Group early terminated the tenancy agreement with the tenant. As at 31 December 2017 and 2016, the operating lease receivables are as follows:

	2017	2016
	$'000	$'000
Within one year	**405**	1,620
In the second to fifth years, inclusive	**–**	2,187
	405	3,807

29 ACQUISITION OF NON-CONTROLLING INTERESTS

On 19 June 2017, the Group acquired additional 21 % interest in Data Star Inc. from Mr. CH Lee, a non-controlling shareholder of Data Star Inc. at cash consideration of approximately HK$2,183,000, increasing its interest in Data Star Inc. from 51% to 72%. The carrying value of the net assets of Data Star Inc. and its subsidiary, Ascent Way International Limited was approximately HK$23,319,000 at the date of acquisition. The additional interest acquired by the Group is as follows:

	$'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

(Expressed in Hong Kong dollars unless otherwise indicated)

30 SUBSIDIARIES

Particulars of the subsidiaries are as follows:

Name	Place of incorporation and principal country of operation/ Date of incorporation	Registered/ issued and fully paid share capital	Percentage of equity attributable to the Company 2017	2016	Principal activities
Apex Team Limited	British Virgin Islands/ 15 June 2009	US$1	**100**	100	Investment holding
Able System Limited (note 1)	British Virgin Islands/ 8 July 2011	US$2	**N/A**	100	Inactive
Ascent Way International Limited	Hong Kong/ 18 January 2016	HK$1	**72**	51	Sales of electronic components
AVT International Limited	Hong Kong/ 7 May 1992	HK$4,999,986	**100**	100	Sales of electronic components, and sales and integration of storage system
Data Star Inc.	British Virgin Islands/ 5 January 2016	US$2,200,000	**72**	51	Investment holding
I-Sky Electronic Limited	Hong Kong/ 12 June 2000	HK$2	**100**	100	Properties holding
Shenzhen Lisigao Electronics Company Limited * (深圳麗斯高電子有限公司) (note 2)	The PRC/ 18 July 2008	HK$1,000,000	**100**	100	Sales of electronic components, and sales of storage system and provision of related supporting service

Note:

1 This company has been disposed of during the year.

2 The subsidiary is registered as wholly-foreign-owned enterprise under the PRC law.

* The English name is translated for identification purpose only.

All the subsidiaries of the Company are limited liability companies.

30 SUBSIDIARIES (CONTINUED)

Details of non-wholly owned subsidiary that have material non-controlling interests:

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	
		2017	2016
Ascent Way International Limited ("Ascent Way")	Hong Kong	**28%**	49%

	Year ended 31 December	
	2017	2016
	$'000	$'000
Profit allocated to non-controlling interests	**10,265**	5,103

	2017	2016
	$'000	$'000
Accumulated non-controlling interests	**10,517**	5,103

Summarised financial information in respect of Ascent Way is set out below. The summarised financial information below represents amounts before intragroup eliminations.

30 SUBSIDIARIES (CONTINUED)

Summarised statement of financial position of Ascent Way

	2017 $'000	2016 $'000
Non-current assets	**22**	29
Current assets	**367,026**	89,112
Current liabilities	**(329,486)**	(78,723)
Net current assets	**37,540**	10,389
Total assets less current liabilities	**37,562**	10,418
Non-current liabilities	**(4)**	(5)
Total equity	**37,558**	10,413
Attributable to		
– the Group	**27,041**	5,310
– non-controlling interests	**10,517**	5,103
	37,558	10,413

Summarised statement of profit or loss and other comprehensive income of Ascent Way

	2017 $'000	2016 $'000
Revenue	**1,326,716**	342,964
Gross profit	**45,285**	19,247
Other income	**448**	1
Expenses	**(13,083)**	(6,777)
Profit before tax	**32,650**	12,471
Income tax expenses	**(5,505)**	(2,058)
Profit for the year	**27,145**	10,413
Profit and total comprehensive income attributable to:		
– the Group	**16,880**	5,310
– non-controlling interests	**10,265**	5,103
	27,145	10,413
Dividends paid to non-controlling interests	**–**	–

30 SUBSIDIARIES (CONTINUED)

Summarised statement of cash flows of Ascent Way

	2017 **$'000**	2016 $'000
Net cash (outflow)/inflow from operating activities	**(34,862)**	6,717
Net cash outflow from investing activities	**–**	(33)
Net cash inflow from financing activities	**44,982**	16,853
Net increase in cash and cash equivalents	**10,120**	23,537
Cash and cash equivalents at beginning of the year	**23,537**	–
Cash and cash equivalents at end of the year	**33,657**	23,537

Financial support

As at 31 December 2017, AVT International has issued financial guarantee to banks in respect of banking facilities granted to Ascent Way.

31 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 year:

(a) Transactions with related parties

	2017 **$'000**	2016 $'000
Mr. Lee Bing Kwong (note i)		
– Rental paid	**783**	774
Nicegoal Limited (note ii)		
– Rental paid	**–**	638

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 I-Sky held by Ms. Lo, spouse of Mr. Lee at consideration of HK$1 during the year ended 31 December 2016.

During the year ended 31 December 2017, the Group disposed its interest in Able System Limited to Mr. Lee at US$2.

31 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

Mr. 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 for the year ended 31 December 2017 and 2016 attributable to Mr. CH Lee amounted to approximately HK$3,748,000 and HK$3,015,000 respectively and equity attributable to CH Lee at the date of disposal and 31 December 2016 amounted to approximately HK$6,762,000 and HK$3,015,000 respectively.

Besides, 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 a son 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 24.

As at 31 December 2017, the Group executed guarantees to a bank to secure general banking facilities granted to related companies. Details of such guarantees are set out in note 34.

(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 10(a) is as follows:

	2017 **$'000**	2016 $'000
Short-term employee benefits	**5,581**	5,042
Contributions to defined contribution retirement benefits scheme	**161**	54
	5,742	5,096

During the year, short-term benefits and post-employment benefits for close family members of Mr. Lee paid and contributed by the Group are as follows:

	2017 **$'000**	2016 $'000
Short-term employee benefits	**435**	420
Contributions to defined contribution retirement benefits scheme	**41**	9
	476	429

32 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 year.

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.

33 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The carrying amounts of the financial assets and liabilities as at the end of reporting period are as follows:

	2017 **$'000**	2016 $'000
Financial assets		
Loans and receivables:		
Trade receivables	**642,336**	306,284
Financial assets included in other receivables, deposits and prepayments	**164**	3,873
Bank balances and cash	**66,302**	55,971
	708,802	366,128
Financial liabilities		
Financial liabilities measured at amortised cost:		
Trade payables	**360,857**	159,268
Financial liabilities included in other payables, accruals and deposit received	**17,237**	11,559
Amount due to a director	**8,247**	2,801
Amounts due to related parties	**1,560**	4,929
Bank borrowings, secured	**479,486**	262,434
	867,387	440,991

33 FINANCIAL INSTRUMENTS (CONTINUED)

(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 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 reporting period.

	2017	2016
	$'000	$'000
Trade receivables	**616,103**	295,512
Bank balances and cash	**57,968**	47,114
Financial assets included in other receivables, deposits and prepayments	**164**	3,738
Trade payables	**(352,008)**	(154,604)
Financial liabilities included in other payables, accruals and deposit received	**(8,351)**	(2,177)
Amounts due to related parties	**–**	(312)
Bank borrowings, secured	**(442,246)**	(236,427)
Net exposure arising from recognised assets and liabilities	**(128,370)**	(47,156)

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.

33 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(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 reporting period. The analysis is prepared assuming the amount of these assets and liabilities outstanding at the end of 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 for 2016.

At the end of the reporting period, if interest rates had been 100 basis points (2016: 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 2017 by approximately HK$3,946,000 (2016: HK$2,191,000).

(iii) Credit risk

The Group’s credit risk is primarily attributable to trade receivables, other receivables and bank deposits. As at 31 December 2017 and 2016, 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 2017, trade receivables amounting to HK$407,426,000 (2016: HK$188,763,000) has 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.

33 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

The Group has concentration of credit risk as the Group's largest trade debtor accounted for 18% of its total trade receivables as at 31 December 2017 (2016: 23%). In addition, the Group's top five major customers accounted for 52% of its total trade receivables as at 31 December 2017 (2016: 45%).

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.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 17.

(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 reporting period, 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 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.

33 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iv) Liquidity risk (Continued)

	Repayable on demand or within 1 year $'000	More than 1 year $'000	Total undiscounted cash flows $'000	Carrying amount $'000
As at 31 December 2017				
Trade payables	**360,857**	**–**	**360,857**	**360,857**
Financial liabilities included in other payables, accruals and deposit received	**17,237**	**–**	**17,237**	**17,237**
Amount due to a director	**8,247**	**–**	**8,247**	**8,247**
Amount due to related parties	**1,560**	**–**	**1,560**	**1,560**
Bank borrowings (note 1)	**479,486**	**–**	**479,486**	**479,486**
	867,387	**–**	**867,387**	**867,387**
Guarantees issued:				
Maximum amount guaranteed (note 2)	**30,070**	**–**	**30,070**	**30,070**

	Repayable on demand or within 1 year $'000	More than 1 year $'000	Total undiscounted cash flows $'000	Carrying amount $'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

33 FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iv) Liquidity risk (Continued)

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 2017, the aggregate undiscounted principal amount of these borrowings amounted to HK$254,486,000 (2016: HK$115,443,000). 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 reporting period, based on the contractual undiscounted payment according to the scheduled repayment dates, is as follows:

	Within 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
As at 31 December 2017	**234,844**	**11,219**	**12,142**	**258,205**
As at 31 December 2016	92,680	11,863	14,043	118,586

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.

34 CONTINGENT LIABILITIES

As at 31 December 2017, the Group has executed the following guarantees in respect of banking facilities granted to related companies in which Mr. Lee has beneficial interests.

– guarantee limited to HK$86,000,000 plus default interest and other costs and expenses among the Group and related companies; and

– guarantee with unlimited amount between the Group and a related company

In the opinion of directors of the Company, the fair value of the guarantees at inception was not significant. Such banking facilities utilised by the related companies as at 31 December 2017 amounted to HK$30,070,000. These guarantees have been subsequently released. As at 31 December 2017, the directors of the Company do not consider it probable that a claim will be made against the Group under any of the aforesaid guarantees.

As at 31 December 2016, the Group did not have any material contingent liabilities.

35 NOTES TO THE COMBINED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

	Amounts due to related parties $'000	Bank borrowings, secured $'000	Total $'000
Balance at 1 January 2016	–	116,970	116,970
Changes from financing activities:			
New bank instalment loans raised	–	20,200	20,200
Repayment of bank instalment loans	–	(1,534)	(1,534)
Net increase in factoring loans	–	63,087	63,087
Net increase in other bank borrowings	–	63,711	63,711
Interests on bank borrowings paid	–	(4,178)	(4,178)
Advance from related parties	19,007	–	19,007
Total changes from financing activities	19,007	141,286	160,293
Other changes:			
Finance costs charged to Profit or loss (note 8)	–	4,178	4,178
Liabilities accquired upon the Acquisitions	3,903	–	3,903
Amounts due to related parties assigned to Mr. Lee	(17,981)	–	(17,981)
Total other changes	(14,078)	4,178	(9,900)
Balance at 31 December 2016 and 1 January 2017	4,929	262,434	267,363
Changes from financing activities:			
New bank instalment loans raised	–	7,923	7,923
Repayment of bank instalment loans	–	(5,838)	(5,838)
Net increase in factoring loans	–	78,009	78,009
Net increase in other bank borrowings	–	136,810	136,810
Interests on bank borrowings paid	–	(11,368)	(11,368)
Advance from related parties	1,560	–	1,560
Total changes from financing activities	1,560	205,536	207,096
Other changes:			
Exchange adjustments	(249)	–	(249)
Finance costs charged to Profit or loss (note 8)	–	11,368	11,368
Amount capitalised for share allotment of a subsidiary	(4,680)	–	(4,680)
Total other changes	(4,929)	11,368	6,439
Bank overdrafts included	–	148	148
Balance at 31 December 2017	1,560	479,486	481,046

35 NOTES TO THE COMBINED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Major non-cash transaction

For year ended 31 December 2017, amount of US$600,000 (equivalent to HK$4,680,000) due to Mr. Pai was capitalised for share allotment of Data Star Inc.

For year ended 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.

36 EVENTS AFTER THE REPORTING PERIOD

(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 "Reorganisation" under the section headed "History, Reorganisation and Group Structure" in the Prospectus.

(b) On 15 February 2018, the authorised 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.

(c) On March 16, 2018, the Company was listed on the Main Board of The Stock Exchange with the global offering of ordinary shares of HK$0.01 each of the Company, including, a public offering in Hong Kong of 125,000,000 shares and an international offering of 125,000,000 shares, in each case at a price of HK$0.50 per share (the Global Offering"). The net proceeds from the Global Offering amounting to approximately HK$116.9 million (after deduction of underwriting fees and any discretionary incentive fee) were received on 16 March and 20 March 2018.

37 STATEMENTS OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2017 $'000	2016 $'000
Current assets		
Prepayments	–	23
Bank balances	48	2
Total current assets	48	25
Current liabilities		
Other payables, accruals	288	–
Amount due to a related company	454	332
Total current liabilities	742	332
NET LIABILITIES	(694)	(307)
CAPITAL AND RESERVES		
Share capital	–	–
Accumulated losses	(694)	(307)
Deficiency in assets	(694)	(307)

Movement in the Company's issued capital and reserve

	Share capital $'000	Accumulated losses $'000	Total $'000
At 1 January 2016	–	(296)	(296)
Loss for the year	–	(11)	(11)
At 31 December 2016	–	(307)	(307)
At 1 January 2017	–	(307)	(307)
Loss for the year	–	(387)	(387)
At 31 December 2017	–	(694)	(694)

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years is set out below.

RESULTS

	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Revenue	**2,840,308**	1,702,322	1,121,206	780,387
Profit before tax	**58,009**	53,817	29,314	14,283
Tax	**(12,642)**	(8,982)	(4,861)	(2,985)
Profit for the year	**45,367**	44,835	24,453	11,298
Attributable to:				
– Owners of the Company	**34,986**	39,741	24,453	11,298
– Non-controlling interests	**10,381**	5,094	–	–
	45,367	44,835	24,453	11,298

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Total assets	**1,081,440**	600,026	311,256	216,350
Total liabilities	**(881,106)**	(447,859)	(203,945)	(128,418)
Non-controlling interests	**(15,382)**	(5,094)	–	–
Equity attributable to the owners of the Company	**184,952**	147,073	107,311	87,932

Note: No financial statements of the Group for the year ended 31 December 2013 have been published. The summary above does not form part of the audited financial statements.