



INTRON TECHNOLOGY  
HOLDINGS LIMITED  
英恒科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1760

**GLOBAL OFFERING**

Sole Sponsor, Global Coordinator, Bookrunner and Lead Manager



**BNP PARIBAS**

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## IMPORTANT

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



### INTRON TECHNOLOGY HOLDINGS LIMITED

英恒科技控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

#### GLOBAL OFFERING

<b>Number of Offer Shares under the Global Offering</b>	<b>:</b>	<b>250,000,000 Shares (subject to the Over-allotment Option)</b>
<b>Number of Hong Kong Offer Shares</b>	<b>:</b>	<b>25,000,000 Shares (subject to adjustment)</b>
<b>Number of International Offer Shares</b>	<b>:</b>	<b>225,000,000 Shares (subject to adjustment and the Over-allotment Option)</b>
<b>Maximum Offer Price (subject to a Downward Offer Price Adjustment)</b>	<b>:</b>	<b>HK\$3.33 per Share plus brokerage of 1%, SFC transaction levy of 0.0027% and the Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application, subject to refund)</b> <b><i>(If the Offer Price is set at 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the Offer Price will be HK\$2.61 per Hong Kong Offer Share)</i></b>
<b>Nominal value</b>	<b>:</b>	<b>HK\$0.01 per Share</b>
<b>Stock code</b>	<b>:</b>	<b>1760</b>

***Sole Sponsor, Global Coordinator, Bookrunner and Lead Manager***



**BNP PARIBAS**

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

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

The Offer Price is expected to be fixed by agreement among the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 5 July 2018 and, in any event, not later than Tuesday, 10 July 2018. The Offer Price will not be more than HK\$3.33 and is currently expected to be not less than HK\$2.90. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$3.33 for each Share together with a brokerage of 1%, the SFC transaction levy of 0.0027% and the Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK\$3.33 per Offer Share.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) with our consent, may reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$2.90 to HK\$3.33 per Offer Share) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available at the website of the Hong Kong Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and our website at [www.intron-tech.com](http://www.intron-tech.com). Further details are set out in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares". If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Tuesday, 10 July 2018, the Global Offering will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in "Risk Factors". The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. on Thursday, 12 July 2018. Such grounds are set out in "Underwriting". It is important that you refer to that section for further details.

The Offer Shares have not been, and will not be, registered under the US Securities Act or any state securities laws of the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable US state securities laws. The Offer Shares may only be offered, sold or delivered outside the United States in offshore transactions in reliance on Regulation S under the US Securities Act.

29 June 2018

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## EXPECTED TIMETABLE

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*If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and in the Hong Kong Economic Times (in Chinese).*

2018

Latest time to complete electronic applications under <b>White Form eIPO</b> service through the designated website at <a href="http://www.eipo.com.hk">www.eipo.com.hk</a> <sup>(2)</sup> .....	11:30 a.m. on Thursday, 5 July
Application lists open <sup>(3)</sup> .....	11:45 a.m. on Thursday, 5 July
Latest time to (a) lodge <b>WHITE</b> and <b>YELLOW</b> Application Forms, (b) complete payment for <b>White Form eIPO</b> applications by effecting internet banking transfers or PPS payment transfers and (c) give <b>electronic application instructions</b> to HKSCC <sup>(4)</sup> .....	12:00 noon on Thursday, 5 July
Application lists close .....	12:00 noon on Thursday, 5 July
Expected Price Determination Date <sup>(5)</sup> .....	Thursday, 5 July
Where applicable, announcement of the Offer Price being set below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment (see “Structure of the Global Offering — Pricing and Allocation”) on the website of the Hong Kong Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> and the Company’s website at <a href="http://www.intron-tech.com">www.intron-tech.com</a> on or before .....	Wednesday, 11 July

Announcement of:

- the Offer Price
- the level of indications of interest in the International Offering
- the level of applications in the Hong Kong Public Offering
- the basis of allocation under the Hong Kong Public Offering

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## EXPECTED TIMETABLE

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to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.intron-tech.com](http://www.intron-tech.com) on or before . . . . . Wednesday, 11 July

Announcement of results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in "How to Apply for Hong Kong Offer Shares — Publication of results" from . . . . . Wednesday, 11 July

Results of allocations in the Hong Kong Public Offering will be available at [www.iporesults.com.hk](http://www.iporesults.com.hk) (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function from . . . . . Wednesday, 11 July

Despatch of share certificates, refund cheques/ White Form e-Refund payment instructions (if applicable) on or before<sup>(6)(7)</sup> . . . . . Wednesday, 11 July

Dealings in the Shares on the Hong Kong Stock Exchange expected to commence at . . . . . 9:00 a.m. on Thursday, 12 July

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*Notes:*

- (1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering".
- (2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 5 July 2018, the application lists will not open and close on that day. Please see "How to Apply for Hong Kong Offer Shares — Effect of bad weather on the opening of the Application Lists" for further details.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares — Applying by Giving Electronic Application Instructions to HKSCC via CCASS".
- (5) The Price Determination Date is expected to be on or about Thursday, 5 July 2018, and in any event, not later than Tuesday, 10 July 2018. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on or before Tuesday, 10 July 2018, the Global Offering will not proceed and will lapse.
- (6) Share certificates for the Offer Shares will become valid certificates of title at 8:00 a.m. on Thursday, 12 July 2018 provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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## EXPECTED TIMETABLE

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- (7) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application.

The above expected timetable is a summary only. You should refer to “Underwriting”, “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the related Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained or made in this prospectus and the related Application Forms must not be relied on by you as having been authorized by us or any of the Relevant Persons.*

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## SUMMARY

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

### OVERVIEW

We are a fast-growing automotive electronics solutions provider in China. We focus on providing solutions targeting critical automotive electronic components applied in new energy, body control, safety and powertrain systems. We utilize our research and development and engineering capabilities to provide solutions incorporating advanced semiconductor devices to help OEMs achieve industry leading performance. Our robust growth during the Track Record Period was driven by our successful business model supported by the overall growth of the PRC automotive industry, tightening regulatory requirements (such as the recently introduced mandatory requirements to install certain safety features in vehicles in the PRC) and increasing consumers' demand for smart features in vehicles and automotive electronic components. According to Frost & Sullivan, the PRC automotive electronic components market size increased from RMB267.5 billion in 2012 to RMB577.5 billion in 2017, representing a CAGR of 16.6%.

We work closely with OEMs and their suppliers in China from the very beginning of their system and components development cycle in an effort to provide them with solutions that satisfy their needs including fuel efficiency, emission reduction, improved reliability and overall vehicle intelligence enhancement. We create value by applying our research and development capabilities and engineering expertise to help OEMs realize their desired product features in mass production. According to Frost & Sullivan, technology solution providers help OEMs and their suppliers shorten their product development cycle and enhance their manufacturing efficiency, in part by accelerating and improving the engineering process while reducing the need for physical prototype and durability testing.

We offer automotive electronics solutions to our customers. Our services include (a) designing, validating and fine-tuning solutions, (b) developing customized design of the electronic components, and (c) depending on the needs of our customers, sourcing and delivering appropriate advanced semiconductor devices, or electronic components incorporating our solutions and/or design, to our customers.

During the Track Record Period, we recorded continued growth in revenue, gross profit and net profit:

	Year ended 31 December			CAGR
	2015	2016	2017	
	RMB'000	RMB'000	RMB'000	
Revenue	732,262	1,150,173	1,473,484	41.9%
Gross profit	191,681	241,387	309,011	27.0%
Profit for the year	87,517	93,990	122,379	18.3%



## SUMMARY

### Our solutions

Our solutions cover three of the four main categories of automotive electronics (body control, safety and powertrain) as well as for new energy vehicles. The following table sets out our revenue breakdown by such categories for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Solution products						
New energy <sup>(1)</sup>	108,565	14.8%	198,191	17.2%	353,274	24.0%
Body control	239,248	32.7%	344,730	30.0%	349,912	23.7%
Safety	224,782	30.7%	331,970	28.9%	347,152	23.6%
Powertrain	80,500	11.0%	131,620	11.4%	183,935	12.5%
Industrials <sup>(2)</sup>	24,074	3.3%	84,176	7.3%	140,443	9.5%
	<u>677,169</u>	<u>92.5%</u>	<u>1,090,687</u>	<u>94.8%</u>	<u>1,374,716</u>	<u>93.3%</u>
Rendering of services <sup>(3)</sup>	8,926	1.2%	5,491	0.5%	22,598	1.5%
Others <sup>(4)</sup>	<u>46,167</u>	<u>6.3%</u>	<u>53,995</u>	<u>4.7%</u>	<u>76,170</u>	<u>5.2%</u>
	<u><u>732,262</u></u>	<u><u>100.0%</u></u>	<u><u>1,150,173</u></u>	<u><u>100.0%</u></u>	<u><u>1,473,484</u></u>	<u><u>100.0%</u></u>

#### Notes:

1. Our new energy solutions include motor controller (inverter), vehicle control unit, battery management system, DC-DC converter, on-board charger, power distribution unit, central gateway, PTC heater, electric pump and electric fan.
2. Include power supply solutions designed for high-performance CPUs and graphics processors in cloud server.
3. Mainly include revenue from consultancy services.
4. Represent semiconductor devices sold independent of any solution.

We generally adopt a cost-plus pricing method. Our pricing policy takes into account a number of factors, including (i) purchase costs; (ii) design complexities of solutions; (iii) processing fees; (iv) logistics costs; (v) exchange rate; and (vi) taxes. During the Track Record Period, given that we expensed all research and development costs, we applied a universal simplified mark-up pricing policy across all solution categories, and we expect to continue to do so in the foreseeable future. We periodically review our pricing policy based on our customers' acceptance and market practice, among other things. Accordingly, we believe we are able to effectively pass through price fluctuations of semiconductor devices to our customers. During the Track Record Period, we were able to maintain our gross profit margin at over 20%. In order to protect ourselves from fluctuations in foreign exchange rates, in respect of our sales denominated in renminbi, our quotations and sales contracts may contain provisions stipulating that the quoted or agreed price (as the case may be) shall be renegotiated if the foreign exchange rates fluctuate beyond a certain level.

For further details of the automotive electronics solutions that we provide, see "Business — Our Business Model — Applications of our solutions".

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## SUMMARY

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### OUR STRENGTHS

Our Directors believe that we have the following competitive strengths:

- Fast-growing automotive electronics solutions provider focusing on critical automotive electronic components.
- Comprehensive portfolio of automotive electronics solutions with high entry barriers.
- Strategic focus on renowned PRC domestic OEMs.
- Strong research and development capabilities and pipeline.
- Experienced and visionary management team with extensive knowledge of the automotive electronics industry.

### OUR STRATEGIES

Our goal is to become the designated automotive electronics solutions provider for OEMs and their suppliers in China with dominating market share. We aim to achieve our goal through the following strategies:

- Increase our solution offerings for new energy vehicles to bolster our market penetration.
- Enhance our research and development capabilities including developing core technology platforms in accordance with industry trends and maintain our competitive edge.
- Develop modular solutions for design and engineering of diverse applications to increase market coverage.
- Increase investment in solutions used in automated driving.
- Identify acquisition and strategic alliances opportunities.

### RESEARCH AND DEVELOPMENT

Research and development is an important part of our business model. Based on our understanding of industry trends, we seek to master the core technology which we expect to be applied in the next generation of products. While we do not typically supply finished automotive parts to our customers, the goal of our research and development projects is to develop working components with the desired functionality and reliability. The technical know-how accumulated from our research and development projects forms the basis of the solutions we provide to customers.

In 2015, 2016 and 2017, our research and development costs amounted to RMB30.6 million, RMB52.8 million and RMB74.7 million, respectively, representing 4.2%, 4.6% and 5.1% of our revenue for the respective years. As at 31 December 2017, 230 of our permanent staff members were involved in research and development, making up 61.3% of our total employees.

Our research and development function is led by Mr Qin Chen, who has over 18 years of experience in electronic engineering and research and development. As at 31 December 2017, 60% of our research and development staff members held bachelor degrees and 21% held masters or higher degrees; while 44% of them had more than 10 years of experience. Two thirds of our research and development staff specialized in software development and the rest in hardware development. We had a team of 13 staff members specializing in functional safety.

## SUMMARY

### INTELLECTUAL PROPERTY

The following table sets out a breakdown of our patents and software copyrights by type registered or filed in the PRC as at the Latest Practicable Date:

Type of intellectual property	Registered	Filed and pending registration
Patents:		
Inventions	3	20
Utility models	39	–
Registered designs	1	1
Software copyrights	69	–

Further details of the intellectual property rights which we consider material to our business are set out in “Statutory and General Information – Further Information about our Business – 9. Our intellectual property rights” in Appendix IV to this prospectus.

### OUR CUSTOMERS

We offer our solutions primarily to OEMs, Tier 1 and other suppliers in the automotive industry, and to a relatively minor extent, customers in the industrial sector. Our customers are primarily based in the PRC. In 2015, 2016 and 2017, we generated 99.2%, 99.1% and 97.9% of our total revenue from customers located in the PRC respectively. The following table sets out the number of our customers with whom we have transactions by types for the years indicated:

	Year ended 31 December		
	2015	2016	2017
OEMs	24	27	36
OEM suppliers	608	717	874
Others	40	42	46
Total	<u>672</u>	<u>786</u>	<u>956</u>

The following table sets out a breakdown of our revenue by customer type for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
OEMs	142,673	19.5%	189,756	16.5%	184,892	12.5%
OEM suppliers	553,646	75.6%	867,929	75.5%	1,121,664	76.1%
Others	27,017	3.7%	86,997	7.5%	144,330	9.9%
Add:						
Rendering of services	8,926	1.2%	5,491	0.5%	22,598	1.5%
Total revenue	<u>732,262</u>	<u>100.0%</u>	<u>1,150,173</u>	<u>100.0%</u>	<u>1,473,484</u>	<u>100.0%</u>

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## SUMMARY

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### OUR SUPPLIERS

Our suppliers include manufacturers and distributors of semiconductor devices. We also engage contract manufacturers to assemble electronic components which we deliver to our customers as part of our solutions package. In 2015 and 2016 and 2017, we had around 150, 200 and 220 suppliers, respectively, among which two, three and seven were contract manufacturers in the respective years. Our purchases are primarily semiconductor devices and electronic components which consist of both active components and passive devices.

We are not involved in manufacture and assembly, given our strategy to focus on developing solutions and avoid substantial capital expenditures. In the case where our customer requires delivery of electronic components as part of our solutions package, we outsource the assembly processes to independent contract manufacturers who would be responsible for the manufacture and assembly of the electronic components in accordance with our design and specifications and for delivery of the assembled electronic components to our customers. All of our contract manufacturers are located in China.

### Our relationship with Infineon

Infineon was our largest supplier during the Track Record Period. Purchases from Infineon accounted for 86.1%, 83.7%, 81.0% of our total purchases in 2015, 2016 and 2017, respectively. Our purchases from Infineon primarily consist of semiconductor devices we offer to our customers as part of our solutions package. Infineon's parent company, Infineon Technologies AG, is a global semiconductor manufacturer listed on the Frankfurt Stock Exchange. It is engaged in the design, development, manufacture and marketing of semiconductors and electronic system solutions. According to Infineon Technologies AG, it is a leading provider of system solutions for automotive electronics with decades of experience.

Our Directors believe that our business relationship with Infineon is mutually beneficial and complementary. We are Infineon's largest distributor in the automotive segment in Greater China. We first entered into a distribution agreement with Infineon in 2005 for the sale of Infineon's automotive semiconductor devices in China. Since then, we have established a strategic partnership with Infineon to develop the China market. We believe that Infineon values our relationship with domestic OEMs in China and our knowledge of the local automotive industry, as evidenced by the recognitions we have received from Infineon as a distributor over the years.

For a discussion of the risks relating to our reliance on Infineon, see "Risk Factors — Risks Relating to our Business and Industry — We rely heavily on Infineon for its supply of semiconductor devices. If we are unable to maintain our relationship with Infineon, or should there be any disruption to the supply or an increase in the purchase price of Infineon's products, our business, financial condition and results of operations would be materially and adversely affected" and "— We rely on the core technology and market recognition of Infineon and its products".

### OUR SHAREHOLDING STRUCTURE

#### Our group of Controlling Shareholders

Immediately following completion of the Global Offering and the Capitalization Issue, and taking no account any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, our Company will be directly owned as to approximately 52.5% by Magnate Era (holding 525,000,000 Shares) and 7.5% by each of Zenith Benefit, Treasure Map and Heroic Mind. Both Magnate Era and Zenith Benefit are jointly owned by Mr Luk and Mr Chan in equal shares, while Treasure Map and Heroic

## SUMMARY

Mind are wholly-owned by Mr Luk and Mr Chan respectively. Accordingly, Mr Luk, Mr Chan, Magnate Era, Zenith Benefit, Treasure Map and Heroic Mind are our group of Controlling Shareholders.

### Share Option Scheme

We have conditionally adopted the Share Option Scheme. See “Statutory and General Information — Other Information — 13. Share Option Scheme” in Appendix IV to this prospectus for further details.

### SUMMARY OF HISTORICAL COMBINED FINANCIAL INFORMATION

The following tables set out a summary of our financial information during the Track Record Period, and should be read in conjunction with our financial information and the notes thereto included in Accountants’ Report set out in Appendix I to this prospectus. The summary financial information has been prepared in accordance with HKFRSs. For more information, see “Financial Information”.

#### Combined statements of profit or loss

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue	732,262	100.0%	1,150,173	100.0%	1,473,484	100.0%
Cost of sales	(540,581)	(73.8%)	(908,786)	(79.0%)	(1,164,473)	(79.0%)
Gross profit	191,681	26.2%	241,387	21.0%	309,011	21.0%
Other income and gains	1,097	0.2%	3,284	0.3%	15,750	1.1%
Selling and distribution expenses	(19,610)	(2.7%)	(28,826)	(2.5%)	(33,813)	(2.3%)
Administrative expenses	(55,422)	(7.6%)	(84,901)	(7.4%)	(125,483)	(8.5%)
Other expenses	(6,696)	(0.9%)	(9,351)	(0.8%)	(10,698)	(0.7%)
Finance costs	(8,503)	(1.2%)	(11,141)	(1.0%)	(15,562)	(1.1%)
Share of profit of an associate	132	0.0%	300	0.0%	64	0.0%
Profit before tax	102,679	14.0%	110,752	9.6%	139,269	9.5%
Income tax expense	(15,162)	(2.0%)	(16,762)	(1.4%)	(16,890)	(1.2%)
Profit for the year	<u>87,517</u>	<u>12.0%</u>	<u>93,990</u>	<u>8.2%</u>	<u>122,379</u>	<u>8.3%</u>

#### Selected balance sheet items

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	18,648	38,654	42,245
Current assets	430,670	664,685	916,745
Current liabilities	204,715	358,921	527,977
Net current assets	225,955	305,764	388,768
Non-current liabilities	1,841	1,664	2,823
Net assets	242,762	342,754	428,190

## SUMMARY

### Combined statements of cash flows

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows from/(used in) operating activities	39,673	(13,612)	(17,950)
Net cash flows used in investing activities	(19,643)	(16,127)	(13,626)
Net cash flows (used in)/from financing activities	(16,242)	46,460	60,535
Net increase in cash and cash equivalents	3,788	16,721	28,959
Cash and cash equivalents at beginning of year	41,867	46,971	65,951
Effect of exchange rate changes	1,316	2,259	(2,658)
Cash and cash equivalents at end of year	<u>46,971</u>	<u>65,951</u>	<u>92,252</u>

### Key financial ratios

	As at/for the year ended 31 December		
	2015	2016	2017
	Return on equity <sup>(1)</sup>	36.1%	27.4%
Return on total assets <sup>(2)</sup>	19.5%	13.4%	12.8%
Current ratio <sup>(3)</sup>	2.10	1.85	1.74
Gearing ratio <sup>(4)</sup>	22.4%	30.5%	39.5%

*Notes:*

- (1) Return on equity ratio is profit for the year divided by total equity as at the end of the year.
- (2) Return on total assets ratio is profit for the year divided by total assets as at the end of the year.
- (3) Current ratio is total current assets as at the end of the year divided by total current liabilities as at the end of the year.
- (4) Gearing ratio is interest-bearing bank and other loans as at the end of the year divided by total equity as at the end of the year.

For further details, see “Financial Information — Key Financial Ratios”.

Our revenue increased from RMB732.3 million in 2015 to RMB1,150.2 million in 2016, and further increased to RMB1,473.5 million in 2017. The increase in revenue during the Track Record Period was primarily attributable to an increased sale of our solutions to our existing customers as well as launch of new solutions, in particular in the new energy category. The sales in our new energy solutions experienced substantial growth. The revenue contribution from new energy solutions increased from 14.8% in 2015 to 24.0% in 2017. The contribution of revenue generated from sales to customers other than OEMs and OEM suppliers increased from 3.7% of our total revenue in 2015 to 9.9% in 2017, primarily attributable to the increased sales to Inspur Electronic Information Industry Co., Ltd., a data centre and cloud computing solutions provider.

Our gross profit margin decreased from 26.2% in 2015 to 21.0% in 2016 as a result of our strategic adjustment in selling price, especially in respect of sales to key customers of our safety and body control solutions to gain market share for our solutions. Our gross profit margin remained stable at 21.0% in 2017.

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## SUMMARY

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For further details of the reasons of our business growth and fluctuations in our gross profit margin during the Track Record Period, see “Financial Information — Results of Operation”.

Our other income and gains primarily consist of government grants received by Shanghai Intron, bank interest income, investment income from available-for-sale investments, net exchange gains and gain on disposal of items of property, plant and equipment and others.

In 2015, 2016 and 2017, our net cash generated from/(used in) operating activities was RMB39.7 million, RMB(13.6 million) and RMB(18.0 million), respectively. We recorded net cash used in operating activities in 2016 primarily due to (i) an RMB105.6 million increase in trade and notes receivables due to our increased level of sales and a growing number of customers to whom we have granted longer credit terms; and (ii) an RMB79.7 million increase in inventories that primarily related to our business expansion leading to the build-up of inventories in anticipation of impending customers’ orders based on their rolling purchase forecast submitted to us. For similar reasons, our net cash used in operating activities in 2017 was primarily due to (i) an RMB200.2 million increase in trade and notes receivables; and (ii) an RMB71.8 million increase in inventories. Owing to increased working capital needs for our continued expansion, we expect that our cash flow used in operating activities in 2018 will further increase.

Currency exchange rate fluctuations can have a substantial impact on our results of operations. In 2015, 2016 and 2017, our purchases in currencies other than the renminbi amounted to 96.6%, 92.1% and 88.9% of our total purchases for the respective years. In 2015, 2016 and 2017, we recognized net exchange (losses)/gains of RMB(6.7 million), RMB(9.3 million) and RMB9.8 million, respectively. See “Financial Information — Factors Affecting our Results of Operations — Impact of exchange rates” for details.

Throughout the Track Record Period, there was a general increase in average revenue per solution for all categories. The significant increase in our average revenue per solution during the Track Record Period was primarily driven by the increased sales volume generated from certain individual solutions. Average revenue per solution for the new energy category increased from RMB3.2 million in 2015 to RMB8.4 million in 2017, primarily attributable to the increased sale of solutions such as BMS solutions and body control modules. Average revenue per solution for the industrials category increased from RMB12.0 million in 2015 to RMB46.8 million in 2017, primarily attributable to the increased sales of computer power supply solutions to Inspur Electronic Information Industry Co., Ltd. See “Financial Information — Results of Operations” for details of the increase in our revenue during the Track Record Period.

## RECENT DEVELOPMENTS

Our business model, revenue structure and cost structure basically remained unchanged, subsequent to the Track Record Period and up to the Latest Practicable Date. Based on the unaudited financial information of our Group, we continued to record growth in our revenue in the first quarter of 2018 compared to the corresponding period in 2017. Such growth in our revenue was principally driven by increased sales of our solutions in particular for application in the new energy category. Further, we have recently been engaged by, and entered into a service agreement with TTTech to provide them with automated driving related engineering services. Under the agreement, we will be paid services fees at an agreed sum in stages. We believe that entering into the engineering services agreement with TTTech not only represented our European partner’s recognition of our engineering capabilities, but is also beneficial to us as we stand to consolidate our business relationship with TTTech, and to enhance our technical know-how in the course of ongoing communication and collaboration with a global technology leader. See “Business — Research and Development — Cooperation agreements in research and development” for details.

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## SUMMARY

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Subsequent to the Track Record Period and up to the Latest Practicable Date, save for the listing expenses as disclosed in “— Listing Expenses” below, we did not have any significant non-recurrent items in our combined statement of profit or loss and other comprehensive income.

Our Directors confirm that, as far as they are aware, there had been no material adverse change in our financial or trading position or prospects since 31 December 2017, being the date to which the latest combined financial statements of our Group were made up, up to the date of this prospectus.

### LISTING EXPENSES

Assuming an Offer Price of HK\$3.12 per Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the aggregate commissions and fees, together with the Hong Kong Stock Exchange listing fee, SFC transaction levy and Hong Kong Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering, which are payable by us are estimated to amount in aggregate to be approximately RMB61.3 million. In 2015, 2016 and 2017, listing expenses charged to profit or loss were nil, nil and RMB7.0 million, respectively. We expect to charge the estimated listing expenses of RMB22.7 million to profit or loss during the year ending 31 December 2018 and to capitalize approximately RMB31.6 million following the Listing.

### GLOBAL OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Capitalization Issue and the Global Offering have been completed and 250,000,000 Shares are newly issued in the Global Offering; (ii) the Over-allotment Option is not exercised; (iii) no Shares have been issued pursuant to the Share Option Scheme and (iv) 1,000,000,000 Shares are issued and outstanding following the completion of the Capitalization Issue and the Global Offering.

	<b>Based on an Offer Price of HK\$2.61 per Offer Share, after Downward Offer Price Adjustment of 10%</b>	<b>Based on an Offer Price of HK\$2.90</b>	<b>Based on an Offer Price of HK\$3.33</b>
Market capitalization	HK\$2,610 million	HK\$2,900 million	HK\$3,330 million
Unaudited pro forma adjusted net tangible assets per Share (note)	HK\$1.09	HK\$1.16	HK\$1.26

*Note:* After adjusting for the dividends in the aggregate amount of approximately RMB139.8 million declared by the Company after the end of the Track Record Period, the unaudited pro forma adjusted net tangible assets per Share is approximately HK\$0.92 based on an Offer Price of HK\$2.61, after Downward Offer Price Adjustment of 10%, HK\$0.99 based on an Offer Price of HK\$2.90, and approximately HK\$1.09 based on an Offer Price of HK\$3.33.

For the calculation of the unaudited pro forma adjusted net tangible asset value per Share, see Appendix II to this prospectus.

### FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$705.1 million (after deducting the underwriting fees, commissions



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## SUMMARY

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and estimated expenses payable by us in relation to the Global Offering) assuming the Over-allotment Option is not exercised and an Offer Price of HK\$3.12 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus. If the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK\$112.9 million assuming an Offer Price of HK\$3.12 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus. We intend to use the net proceeds we receive from the Global Offering as follows:

<u>Use of proceeds</u>	<u>% of the net proceeds</u>	<u>HK\$ million</u>
Expand our research and development capabilities by recruiting additional research and development professionals	30%	211.5
Enhance our research and development infrastructure by investing in and acquiring testing and other equipment and technology software	30%	211.5
Finance acquisitions of research and development capabilities that will complement our development plan	30%	211.5
Fund our working capital and other general corporate purposes	10%	70.6

In the event that the Offer Price is set at the high point or the low point of the indicative Offer Price range, the net proceeds of the Global Offering (including any net proceeds resulting from the exercise of the Over-allotment Option, if applicable) will accordingly increase or decrease. Under such circumstances, we will increase or decrease the allocation of such net proceeds to the above purposes on a pro-rata basis. We will issue an appropriate announcement if there is any material change in the abovementioned use of proceeds.

### DIVIDEND

Prior to the completion of the Reorganization, in 2017, Intron HK declared and paid a dividend of US\$3,860,000 (equivalent to RMB26,238,000 using an exchange rate of US\$6.7974 per RMB1.00) to its then shareholders. In January 2018, Shanghai Intron declared a dividend of RMB100 million to its then shareholders and Intron HK declared a dividend of US\$6.2 million. Such dividends are expected to be paid prior to Listing using our internally generated cash flows. We have no dividend policy and currently do not intend to adopt a policy for future dividend payments. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. Any amount of dividends we declare and pay will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. See “Financial Information — Dividend”.

### RISK FACTORS

There are certain risks relating to investment in the Offer Shares, among which the relatively material risks include our heavy reliance on Infineon for its supply of semiconductor devices and on Infineon’s core technology; the outstanding balance of S&D Financing provided by Infineon to us which we may be obliged to return; our risk of experiencing negative operating cash flow in the future, or our inability to obtain sufficient financing to fund our business operations; and our heavy dependence on the condition of the PRC automotive industry. See “Risk Factors” for further information and other risks that we face.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in “Glossary of Technical Terms.”*

“affiliate”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	<b>WHITE</b> application form(s), <b>YELLOW</b> application form(s) and <b>GREEN</b> application form(s) where the context so requires, any of them
“Articles” or “Articles of Association”	the amended and restated articles of association conditionally adopted by our Company on 22 June 2018 which shall become effective upon listing of the Shares on the Hong Kong Stock Exchange, as amended or supplemented from time to time
“BAIC BJEV”	北京新能源汽車股份有限公司 (Beijing New Energy Vehicles Co., Ltd.), the electric vehicle unit of BAIC Group, the parent company of BAIC Motor Corporation Limited, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (1958.HK). BAIC BJEV is an independent third party
“Beijing G-Pulse”	北京脈創智恒新能源科技有限公司 (Beijing Maichuang Zhiheng Renewable Energy Technology Company Limited), a company with limited liability established on 9 November 2016 under the laws of the PRC and a wholly-owned subsidiary of our Company
“Board”	the board of Directors of our Company
“Business Day”	a day (other than a Saturday or a Sunday or a public holiday) on which banks in Hong Kong are open for normal banking business
“BVI”	the British Virgin Islands
“BYD”	比亞迪股份有限公司 (BYD Company Limited), a company incorporated in the PRC and its shares are listed on the Main Board of the Hong Kong Stock Exchange (1211.HK) and the Shenzhen Stock Exchange (SHE: 002594), or where the context requires, any of its affiliates. BYD is an independent third party
“CAGR”	compound annual growth rate

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## DEFINITIONS

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“Capitalization Issue”	the issue of Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of our Company referred to in “Statutory and General Information — About our Company — 3. Resolutions in writing of the Shareholders passed on 22 June 2018” in Appendix IV to this prospectus
“Cayman Companies Law”	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CEO”	chief executive officer
“Chairman”	chairman of the Board
“Chan’s Nominee Arrangement”	the family arrangement made between Mr Chan and his spouse, Zhang Hui, in respect of the equity interests in certain members of our Group prior to the Reorganization, further details of which are set out in “History and Development”
“Circular 37”	the Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Offshore Investment and Financing and Round Trip Investment via Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), which was promulgated by SAFE and took effect from 4 July 2014

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## DEFINITIONS

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“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Intron Technology Holdings Limited 英恒科技控股有限公司, a company with limited liability incorporated on 3 January 2017 under the laws of the Cayman Islands
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus, means the group of controlling shareholders of our Company, being Mr Luk, Mr Chan, Magnate Era, Zenith Benefit, Treasure Map and Heroic Mind
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules
“Co-manager”	Pacific Foundation Securities Limited
“Deed of Indemnity”	the deed of indemnity dated 22 June 2018 and executed by the Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries as at the date of the deed), further details of which are set out in “Statutory and General Information — Other information — 14. Estate duty, tax and other indemnity” in Appendix IV to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 22 June 2018 and executed by the Controlling Shareholders in favour of our Company, further details of which are set out in “Relationship with Controlling Shareholders — Deed of Non-Competition”
“Directors”	the directors of our Company
“Downward Offer Price Adjustment”	an adjustment that has the effect of setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range
“EIT Law”	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) passed by the National People’s Congress of the PRC on 16 March 2007 (and amended on 24 February 2017) together with the Implementation Rules for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) enacted by the State Council on 6 December 2007, as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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“EIT Rate”	the rate of enterprise income tax applicable in the PRC
“EPCOS”	EPCOS Limited, a company incorporated under the laws of Hong Kong, together with its affiliated company EPCOS (Shanghai) Product Services Company Limited (愛普科斯(上海)產品服務有限公司), a company incorporated under the laws of the PRC, or where the context requires, any of their affiliates. EPCOS is an independent third party
“EUR” or “euro”	the official currency of the eurozone, which consists of 19 of the 28 member states of the European Union
“Evertronics”	Evertronics Technology (China) Company Limited, a company with limited liability incorporated on 6 August 2009 under the laws of Hong Kong and a wholly-owned subsidiary of our Company
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent industry consultant
“Frost & Sullivan Report”	an industry report prepared by Frost & Sullivan which was commissioned by us in relation to, among other things, the automotive electronics industry in the PRC
“G-Pulse”	上海金脈電子科技有限公司 (Shanghai G-Pulse Electronics Technology Company Limited), a company with limited liability established on 4 August 1999 under the laws of the PRC and a wholly-owned subsidiary of our Company
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Greater China”	Mainland China, Hong Kong, Macau and Taiwan
“GREEN application form(s)”	the application form(s) to be completed by the <b>White Form eIPO</b> Service Provider, Computershare Hong Kong Investor Services Limited
“Group”	our Company and our subsidiaries or any of them, or where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Guangzhou Intron”	廣州英創電子科技有限公司 (Guangzhou Intron Electronics Technology Company Limited), a company with limited liability established on 3 February 2005 under the laws of the PRC and a wholly-owned subsidiary of our Company

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## DEFINITIONS

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“Heroic Mind”	Heroic Mind Limited, a company with limited liability incorporated on 17 October 2016 under the laws of the BVI and a company wholly owned by Mr Chan. Heroic Mind is one of our Controlling Shareholders
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKAS”	the Hong Kong Accounting Standards
“HKFRS”	the Hong Kong Financial Reporting Standards (including HKASs and their interpretations) issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Hong Kong Offer Shares”	the 25,000,000 new Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to re-allocation as described in “Structure of the Global Offering”)
“Hong Kong Public Offering”	the offer by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to re-allocation as described in “Structure of the Global Offering”) for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%), on the terms and subject to conditions set out in this prospectus and the Application Forms
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Hong Kong Underwriters”	underwriters of the Hong Kong Public Offering whose names are set out in “Underwriting — Underwriters — Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 28 June 2018, relating to the Hong Kong Public Offering, entered into among, inter alia, the Sole Sponsor, the Sole Global Coordinator, the Co-manager, the Hong Kong Underwriters, our Company and the Controlling Shareholders, as further described in “Underwriting — Underwriting Arrangements And Expenses — Hong Kong Underwriting Agreement”
“independent third party”	a party which is not connected (as defined in the Listing Rules) to our Company, so far as our Directors are aware after having made reasonable enquiries
“INED”	the independent non-executive Directors
“Infineon”	Infineon Technologies Asia Pacific Pte. Ltd., a limited liability company incorporated under the laws of the Republic of Singapore and a subsidiary of Infineon Technologies AG, or where the context requires, any of its affiliates. Infineon is an independent third party
“International Offer Shares”	the 225,000,000 new Shares being initially offered for sale under the International Offering subject to the Over-allotment Option and re-allocation as described in “Structure of the Global Offering”
“International Offering”	the conditional offering of the International Offer Shares to professional, institution, corporate and/or other investors at the Offer Price outside the United States in reliance on with Regulation S, on and subject to the terms and conditions stated herein and in the International Underwriting Agreement, as further described in “Structure of the Global Offering”
“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering and expected to be entered into on or about the Price Determination Date by, among others, our Company, the Controlling Shareholders, the Sole Global Coordinator, the Co-manager and the International Underwriters, as further described in “Underwriting — Underwriting Arrangements And Expenses — International Underwriting Agreement”

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## DEFINITIONS

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“Intron China”	英恒智能科技(上海)有限公司 (Intron Intelligent Technology (Shanghai) Company Limited), a company with limited liability established on 10 February 2017 under the laws of the PRC and a wholly-owned subsidiary of our Company
“Intron HK”	Intron Technology (China) Limited, a company with limited liability incorporated on 5 January 2001 under the laws of Hong Kong and a wholly-owned subsidiary of our Company
“Latest Practicable Date”	19 June 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Committee”	the listing committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or around Thursday, 12 July 2018, from which the Shares are listed and dealings therein are first permitted to take place on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Lu Peixi”	Mr Lu Peixi (陸培溪), the father of Mr Luk
“Luk’s Nominee Arrangement”	the family arrangement made between Mr Luk and his father, Lu Peixi, in respect of the equity interests in certain members of our Group prior to the Reorganization, further details of which are set out in “History and Development”
“Magnate Era”	Magnate Era Limited, a company with limited liability incorporated on 18 October 2017 under the laws of the BVI and a company owned by Mr Luk and Mr Chan in equal shares. Magnate Era is one of our Controlling Shareholders
“Main Board”	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company, as amended from time to time



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## DEFINITIONS

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“MIIT”	the Ministry of Industry and Information Technology of the PRC or its local branches
“MOFCOM”	the PRC Ministry of Commerce
“Mr Chan”	Mr Chan Cheung Ngai, our co-CEO, an executive Director and a Controlling Shareholder
“Mr Luk”	Mr Luk Wing Ming, our Chairman, co-CEO, an executive Director and a Controlling Shareholder
“Nominee Arrangements”	the Luk’s Nominee Arrangement and the Chan’s Nominee Arrangement
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage of 1%, the SFC transaction levy of 0.0027% and the Hong Kong Stock Exchange trading fee of 0.005%) at which the Hong Kong Offer Shares are to be subscribed for under the Hong Kong Public Offering and the International Offer Shares are to be offered under the International Offering, to be determined in the manner further described in “Structure of the Global Offering — Pricing and Allocation”, subject to any Downward Offer Price Adjustment
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters, pursuant to which our Company may be required to allot and issue up to 37,500,000 additional new Shares, representing 15% of the Shares initially available under the Global Offering
“PBOC”	the People’s Bank of China
“PRC” or “China”	the People’s Republic of China and for the purposes of this prospectus only, except where the context requires otherwise, references to the PRC or China exclude Hong Kong, Macau and Taiwan; and “Chinese” shall be construed accordingly
“PRC Legal Advisers”	Commerce & Finance Law Offices

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## DEFINITIONS

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“Price Determination Agreement”	the agreement to be entered into between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be Thursday, 5 July 2018, on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than Tuesday, 10 July 2018
“Regulation S”	Regulation S under the US Securities Act
“Relevant Persons”	the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Underwriters, the Controlling Shareholders, any of their or our Company’s respective directors, officers or representatives or any other person involved in the Global Offering
“Reorganization”	the corporate reorganization of our Group in preparation for the Listing, the particulars of which are set out in “Reorganization”
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to the Board by our Shareholders, further details of which are set out in “Statutory and General Information — About our Company — 3. Resolutions in writing of the Shareholders passed on 22 June 2018” in Appendix IV to this prospectus
“RMB” or “renminbi”	renminbi yuan, the lawful currency of the PRC
“R&D”	research and development
“SAFE”	the State Administration of Foreign Exchange of the PRC
“SAIC”	the State Administration of Industry and Commerce of the PRC
“SAT”	the State Administration of Taxation of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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“SFT HK”	SFT Co., Limited, a company with limited liability incorporated on 11 May 2007 under the laws of Hong Kong and wholly owned by Mr Chen Wenyuan, a former director of Evertronics within the 12 months preceding the date of this prospectus, hence a connected person of our Company
“Shanghai Intron”	上海英恒電子有限公司 (Shanghai Intron Electronics Company Limited), a company with limited liability established on 14 February 2001 under the laws of the PRC and a wholly-owned subsidiary of our Company
“Shanghai Maibang”	上海邁邦電子科技有限公司 (Shanghai Maibang Electronics Technology Company Limited), a company with limited liability established on 24 June 2003 under the laws of the PRC and directly owned in equal shares by Lu Peixi and Zhang Hui as nominees for and on behalf of Mr Luk and Mr Chan, respectively, hence a connected person of our Company
“Share Option Scheme”	the post-IPO share option scheme approved and adopted by the Board on 22 June 2018, a summary of the principal terms of which is set out in “Statutory and General Information — Other Information — 13. Share Option Scheme” in Appendix IV to this prospectus
“Shareholders”	holders of Shares
“Shares”	shares with a nominal value of HK\$0.01 each in the capital of our Company
“Sole Sponsor”, “Sole Global Coordinator”, “Sole Bookrunner” or “Sole Lead Manager”	BNP Paribas Securities (Asia) Limited
“sq.m.”	square metres
“Stabilizing Manager”	BNP Paribas Securities (Asia) Limited
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Stabilizing Manager and Magnate Era on or about 5 July 2018 pursuant to which Magnate Era will agree to lend up to 37,500,000 Shares to the Stabilizing Manager on the terms set out therein

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## DEFINITIONS

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“S&D Financing”	the financing that Infineon, our supplier, provides to us as part of its S&D Programme. See “Business — Our Suppliers — Our relationship with Infineon — The ship-and-debit programme” for further information
“S&D Programme”	the Ship-and-Debit Programme operated by Infineon, our supplier, and in which we participate. See “Business — Our Suppliers — Our relationship with Infineon — The ship-and-debit programme” for further information
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Track Record Period”	the period comprising the three years ended 31 December 2017
“Treasure Map”	Treasure Map Ventures Limited, a company with limited liability incorporated on 6 July 2016 under the laws of the BVI and a company wholly owned by Mr Luk. Treasure Map is one of our Controlling Shareholders
“TTTech”	TTTech Computertechnik AG, a company incorporated under the laws of Austria, or where the context requires, any of its affiliates. TTTech is an independent third party
“TTTech Technology Licence”	certain technology licensed by TTTech to us pursuant to an inverter solutions licence and service agreement entered into in 2016
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“US” or “United States”	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“US Securities Act”	the United States Securities Act of 1933, as amended, supplemented, or otherwise modified from time to time
“UTE”	無錫盛邦電子有限公司 (United Trinity Electronics Company Limited), a company with limited liability established on 30 July 2004 under the laws of the PRC and jointly controlled by Mr Luk and Mr Chan, hence a connected person of our Company

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## DEFINITIONS

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“we”, “us” or “our”	our Company and, unless the context requires otherwise, its subsidiaries
“White Form eIPO”	the application for the Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website at <a href="http://www.eipo.com.hk">www.eipo.com.hk</a>
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Withdrawal Mechanism”	a mechanism which requires the Company, among other things, to (a) issue a supplemental prospectus as a result of material changes in the information (e.g. the Offer Price) in the prospectus; (b) extend the offer period and to allow potential investors, if they so desire, to confirm their applications using an opt-in approach (i.e. requiring investors to positively confirm their applications for shares despite the change)
“Zenith Benefit”	Zenith Benefit Investments Limited, a company with limited liability incorporated on 13 October 2017 under the laws of the BVI and a company owned by Mr Luk and Mr Chan in equal shares. Zenith Benefit is one of our Controlling Shareholders
“Zhang Hui”	Ms Zhang Hui (張慧), the spouse of Mr Chan
“%”	per cent

*In this prospectus, the terms “associate”, “close associate”, “connected person”, “connected transaction”, “subsidiary”, and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.*

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary contains definitions of certain terms used in this prospectus in connection with our Company and our business. Some of these may not correspond to standard industry definitions.*

“ADAS”	advanced driver assistance system, a system to help the driver in the driving process. When designed with a safe human-machine interface, they should increase car safety and more generally road safety
“ASIL”	automotive safety integrity level, one of four levels to specify the item’s or element’s necessary requirements of ISO 26262 and safety measures, with D representing the most stringent and A the least stringent level
“automotive electronics”	electronic systems, such as engine management and ignition, that are used in road vehicles
“automotive electronic components”	components in automotive electronic system
“BEV”	battery electric vehicle
“BMS”	battery management system, an electronic system that manages a rechargeable battery, such as by protecting the battery from operating outside its safe operating area, monitoring its state, and calculating secondary data
“body control”	the function of the body control system is to ensure the safety, comfort and convenience of vehicles
“central gateway”	an electronic unit that provide various communication interface and responsible for data exchange between different in-vehicle components and sub-systems
“DC-DC converter”	electronic circuit or electromechanical device that converts a source of direct current (DC) from one voltage level to another
“ECU”	electronic control unit, a unit for any embedded system that controls one or more of the electrical systems or subsystems in a motor vehicle
“EMC”	electromagnetic compatibility, meaning that a device is compatible with (i.e. no interference is caused by) its electromagnetic environment and it does not emit levels of electromagnetic energy that cause electromagnetic interference in other devices in the vicinity

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## GLOSSARY OF TECHNICAL TERMS

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“EPS”	electrical power steering, which uses an electric motor to assist driver steering
“ESC”	electronic stability control, the electronic unit that improves a vehicle’s stability by detecting and reducing loss of traction. When the ESC detects loss of steering control, it automatically applies the brakes to help “steer” the vehicle where the driver intends to go
“EV”	electric vehicle
“HEV”	hybrid electric vehicle
“HiL”	hardware-in-the-loop, a technique used in the development and test of complex real-time embedded systems
“ISO 26262”	an international standard for functional safety applied to safety-related systems that include one or more electrical and/or electronic (E/E) systems and that are installed in series production passenger cars with a maximum gross vehicle mass up to 3,500 kg
“LiDAR”	a detection system which works on the principle of radar, but uses light from a laser
“lighting module”	an electronic unit responsible for controlling and monitoring various lighting, including the lamp, the indicator and the backlight in a vehicle
“MCU”	motor control unit, a motor controller. According to the instruction of VCU, the rotation state of the motor is controlled
“modular solutions”	solutions developed with the modular design approach, which is a design approach that subdivides target system into smaller parts called modules or skids, that can be independently created and then used in different systems. Our modular solutions are basically electronic hardware functional elements, which could be used in diverse application. Besides reduction in cost (due to less customization, and shorter learning time), and flexibility in design, modularity offers other benefits such as augmentation (adding new solution by merely plugging in a new module) and exclusion
“MPV”	multi-purpose vehicles
“NEV”	new energy vehicle

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## GLOSSARY OF TECHNICAL TERMS

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“OBC”	on-board charger, the car charger which is normally supplied by the car battery, and is widely used in the battery charging field of various portable and handheld devices
“OEMs”	original equipment manufacturers and in the context of the automotive industry, automotive makers or brands that manufacture motor vehicles
“PCB”	printed circuit board
“PCB-A”	printed circuit board assembly, which is the process of soldering or assembly of electronic components on to the surface of a printed circuit board through surface-mounted technology and plug-in process
“PDU”	power distribution unit
“PHEV”	plug-in hybrid electric vehicle
“powertrain”	the powertrain system is a system of mechanical parts in a vehicle that produces energy and then converts the energy to propel the vehicle
“PTC heater”	positive temperature coefficient heater, the control unit for the heating system of battery packs in new energy vehicles
“safety”	the safety system in a vehicle is a system designed to minimize the occurrence and consequences of traffic collisions
“semiconductor device”	semiconductor device is the smallest elements on a PCB, and is manufactured both as single discrete devices and as integrated circuits (ICs)
“software platform”	a collection of embedded software elements, which includes the firmware, device drivers and an operating system. A software platform comes bundled with specific embedded micro-processors and can be reused in many applications, such as body control, powertrain and safety system. With a software platform, developers or users can configure the targeting embedded micro-processor and its peripherals, and can develop their high level software with highly efficiency
“SUV”	sports utility vehicles



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## GLOSSARY OF TECHNICAL TERMS

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“TCU”	transmission control units, often used for automatic transmission to make automatic change control to make driving easier
“technology platform”	a combination of technologies that can be used to implement a particular product’s functionality or characteristics. The specific technology platform will be composed of many technical elements, which are organically combined based on some technical methodology. Basic technical elements of a technical platform include embedded software, semiconductor devices and electronic circuits design. Technical platforms can be re-used in diverse applications, which have some of the same features or characteristics, such as functional safety or cyber security. Technical platforms give full play to the advantages of technology system, and can greatly improve the product development speed and reduce development costs
“Tier 1 suppliers”	automotive parts suppliers which supply directly to OEMs
“TPMS”	tyre-pressure monitoring system, an electronic system designed to monitor the air pressure inside the pneumatic tyres on vehicles
“VCU”	vehicle control unit, the supervisory controller for electric or hybrid vehicles and is responsible to manage the system energy, command the torque, and coordinate the motor, battery pack and the on-board charging system, etc

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## RISK FACTORS

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

### **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

**We rely heavily on Infineon for its supply of semiconductor devices. If we are unable to maintain our relationship with Infineon, or should there be any disruption to the supply or an increase in the purchase price of Infineon's products, our business, financial condition and results of operations would be materially and adversely affected.**

The provision of our automotive electronics solutions to a significant extent depends on the supply of Infineon's semiconductor devices. Infineon was our single largest supplier throughout the Track Record Period. In 2015, 2016 and 2017, our purchases from Infineon amounted to RMB528.8 million, RMB832.0 million and RMB992.5 million, respectively, representing 86.1%, 83.7% and 81.0% of our total purchases for the respective years. Therefore, if Infineon delays the supply of its semiconductor devices to us or is unable to supply the quantities we require or at all, our business, financial condition and results of operations may be materially and adversely affected.

As we are a non-exclusive distributor of Infineon in China and Hong Kong, there are other distributors which sell Infineon's products in China and Hong Kong, and our customers may purchase products from such distributors or directly from Infineon. If we lose customers for any of these reasons, our business, financial condition and results of operations may be materially and adversely affected.

Our distribution agreement with Infineon may be terminated by either party with a three months' written notice, or by Infineon if we fail to reach the agreed performance targets or if we are otherwise in default of our obligations under the agreement. There can be no assurance that Infineon will continue our distribution agreement on terms acceptable to us, or at all. If our distribution agreement with Infineon were terminated for any reason, our business, financial condition and results of operations may be materially and adversely affected. For further information on our distribution agreement with Infineon, see "Business — Our Suppliers — Our relationship with Infineon".

In the event that Infineon adjusts the prices of its products, we may not be able to pass the whole or any part of the increase in the purchase prices to our customers, which depends on various factors including the general economic condition of the market, the availability of substitute products and the terms of our sales contracts.

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## RISK FACTORS

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Further, we cannot assure you that there will not be any unexpected interruption or a lack of supply of the semiconductor devices we require for any reason, such as a change in regulatory requirements, import restrictions, Infineon's failure to fulfil our orders, interruptions to Infineon's business, disruptions in Infineon's delivery to us, natural disasters or other unexpected events. Any disruption to the supply of the semiconductor devices we or our customers require could have a material adverse effect on our business, financial condition and results of operations.

**We rely on the core technology and market recognition of Infineon and its products.**

A substantial portion of our automotive electronics solutions are developed, either entirely or in part, based on the core technology of Infineon's semiconductor devices. Our research and development efforts are focused on the application, and not the design and conception of the core technology of semiconductor devices. Given that the majority of our semiconductor devices are purchased from Infineon, we rely on Infineon's ability to remain as one of the leaders in the innovation of automotive semiconductor technology.

Further, leveraging its brand name as a global semiconductors supplier, Infineon has developed an ecosystem where different players in the supply chain of the automotive electronics industry in China exchange ideas. As Infineon's largest distributor in the automotive segment in Greater China, we regularly communicate with Infineon on its latest technology and product offerings. Infineon's ecosystem also provides us with a platform where new customers may be introduced to our solutions and capabilities.

If Infineon fails to maintain its position as a leading innovator in automotive semiconductor technology or loses its market recognition for any reason, it will take time for us to identify substitutes and adapt our solutions to semiconductor devices from other suppliers and we may not be successful at all. Further, we will lose a platform on which to market our solutions. If such events occur, our business, financial condition and results of operations may be materially affected.

**We participate in a ship-and-debit programme and receive financing from Infineon, and we may be obliged to return the outstanding balance of such financing if our ship-and-debit programme or distribution agreement with Infineon is terminated.**

We participate in the S&D Programme and receive certain S&D Financing provided by Infineon in respect of our purchase of certain products from Infineon under the S&D Programme. Under the S&D Programme, we would purchase eligible products at the standard purchase price, and upon sale and delivery of such products to our customers, Infineon would grant us a credit in the agreed amount which can be applied to offset our trade payable to Infineon. Further, Infineon provide us with the S&D Financing, which is an interest-free financing in respect of our purchases of eligible products under the S&D Programme. The amount of the S&D Financing is calculated each quarter based on (i) the amount of credit granted by Infineon for the quarter under the S&D Programme; (ii) our sales amount of eligible products under the S&D Programme for the quarter; and (iii) our inventory balance in respect of eligible

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## RISK FACTORS

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products under the S&D Programme. At the end of each quarter, the difference between the balance of the S&D Financing of that quarter and that of the preceding quarter would be settled between Infineon and our Group.

As at 31 December 2015, 2016 and 2017, the balance of S&D Financing due to Infineon was RMB36.5 million, RMB46.2 million and RMB73.7 million, respectively. In the event the S&D Programme or our distribution agreement with Infineon is terminated, we are required to return all S&D Financing due to Infineon upon written demand. If such events occur, we may have to incur a significant one-off cash outflow, and our financial condition may be materially and adversely affected. For further information, see “Business — Our Suppliers — Our relationship with Infineon”.

**We reported negative operating cash flows in 2016 and 2017. If we continue to have negative operating cash flow in the future, or if we are unable to timely obtain sufficient financing to fund our business operations, our liquidity, results of operations and financial condition may be materially and adversely affected.**

Our net cash inflow generated from operating activities in 2015 amounted to RMB39.7 million, compared with our net profit before tax of RMB102.7 million. In 2016 and 2017, we experienced net cash outflow from operating activities of RMB13.6 million and RMB18.0 million, respectively, compared with net profit before tax of RMB110.8 million and RMB139.3 million for the respective years. Such discrepancy was mainly due to the relatively longer settlement cycle of our trade receivables (60–90 days) than that of our trade payables (40–50 days), the substantial increase in our sales during the Track Record Period, especially during the last quarter of the year which generally accounted for around one-third of our sales in the year, as well as the relatively longer period of credit we granted to certain major customers as we expanded our business.

We cannot assure you that we will be able to record positive operating cash flow in the future. Owing to increased working capital needs for our continued expansion, we expect that our cash flow used in operating activities in 2018 will further increase. Our liquidity and financial condition may be materially and adversely affected should our future operating cash flow remain negative, and we cannot assure you that we will have sufficient cash from other sources to fund our business operations. Any failure by our customers to pay us contracted prices, or any disputes over or significant delays in receiving such payments by us could require us to write off trade receivables or increase provisions made against our trade receivables, or if we are unable to shorten the inventory and/or trade receivables turnover days, in each case our cash flows and profitability could be materially and adversely affected. If we resort to other financing activities to generate additional cash, we will incur additional financing costs. A number of factors, such as general economic conditions, our financial performance, credit availability from financial institutions and monetary policies in the PRC, may affect our ability to obtain adequate financing for our operations on favourable terms, or at all. Many of these factors are beyond our control. As a result, our liquidity, results of operations and financial condition may be materially and adversely affected.

**We discounted and endorsed certain notes receivable. Should the accepting financial institutions fail to honour such notes, the note holders may have the right of recourse against us.**

During the Track Record Period, we endorsed certain notes receivable to certain suppliers to settle trade payables due to such suppliers. As at 31 December 2015,

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## RISK FACTORS

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2016 and 2017, the carrying amount of notes receivable which had been endorsed was RMB14.1 million, RMB27.4 million and RMB37.6 million, respectively. In addition, during the Track Record Period, we discounted certain notes receivable before their maturity with banks in the PRC in exchange for cash. As at 31 December 2015, 2016 and 2017, the carrying amount of notes receivable which had been discounted was RMB60.2 million, RMB179.9 million and RMB185.6 million, respectively.

In accordance with the applicable PRC law, holders of such discounted notes and endorsed notes have a right of recourse against us if the accepting financial institutions default in honouring the payments due under the notes. Our Directors are of the opinion that as at 31 December 2015, 2016 and 2017, we have transferred substantially all the risks and rewards relating to (i) discounted notes with amounts of RMB59.4 million, RMB176.3 million and RMB183.5 million, respectively; and (ii) endorsed notes with amounts of RMB13.4 million, RMB23.1 million and RMB35.0 million, respectively. Such notes receivable were accepted by large and reputable banks, and we have derecognized the full carrying amounts of these notes and the associated trade payables settled by the endorsed notes. However should there be any default by the financial institutions in honouring any such notes that they accepted, we may be required to repay the amount of the affected discounted notes to the banks with whom we have discounted our notes receivable, or write back the trade payables in respect of which we have previously settled by endorsing the relevant notes receivable (as the case may be). Further, we may be required to write off such notes receivable or increase provisions made against our notes receivable. In such an event, our liquidity and financial condition may be negatively affected. For details of our notes discounting and endorsement activities, see “Financial Information — Description of Selected Balance Sheet Items — Trade and notes receivables — Notes receivable”.

**Our results of operations are heavily dependent on the condition of the PRC automotive industry. Any events that have an adverse effect on the demand of our customers’ products could materially and adversely affect the demand for our solutions, which in turn affects our business, financial conditions and results of operations.**

A significant portion of our solutions sold to customers are directly or indirectly used in the automotive industry, and hence our business is affected by changes in supply and demand within the PRC automotive industry, which is in turn significantly affected by the economic environment, consumer spending power and preferences, and PRC government policies relating to the automotive industry. For risks relating to government policies in the PRC in particular, see “— The PRC government may implement policies to restrict the supply of and/or reduce the demand for automobiles in the PRC which may adversely affect our business, financial condition and results of operations” below.

According to Frost & Sullivan, the production volume of automobiles in the PRC grew from 19.3 million in 2012 to 29.0 million in 2017 at a CAGR of 8.5%. There can be no assurance that growth of the industry will continue at current rates or at all. The overall PRC economy affects our revenues as production needs for automobiles are likely to decrease in a slowing economy.

If the automotive industry does not continue to grow in a sustained fashion, demands for our solutions may be lower than anticipated which in turn may have an

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## RISK FACTORS

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adverse effect on our business and results of operations. Moreover, the automotive industry is characterized by changing and increasing sophisticated customer demands and evolving industry standards, and laws and regulations. Therefore, we expect competition in the industry to continue to intensify.

Any events that have an adverse effect on the demand of our customers' products could materially and adversely affect the demand for our solutions, which in turn affect our business, financial conditions and results of operations.

**Our success depends to a large extent on our ability to leverage our research and development capabilities to design suitable automotive electronics solutions that satisfy our customers' needs. If these efforts prove unsuccessful, we may lose customers and our results of operations may be adversely affected.**

Our success in providing suitable solutions to our customers depends on our ability to anticipate and respond to factors such as technology development trend, customer preference, government and regulatory requirements, and market demand.

The automotive industry has been characterized by a more rapid launch of new car models, continuous technological advancement, evolving industry standards and changing customer needs, leading to a trend of shorter product life cycles and competitive pressure to introduce new or enhanced products quickly into the market. There can be no assurance that our sales and research and development efforts will be successful in responding to these industry demands or customer needs, and new technologies or alternative products available in the market may render our existing solutions and know-how less competitive. Any failure by us to take timely measures to respond to technological developments and changing industry standards could adversely affect our future performance and ability to compete.

In 2015, 2016 and 2017, our research and development costs amounted to RMB30.6 million, RMB52.8 million and RMB74.7 million, respectively, representing 4.2%, 4.6% and 5.1% of our revenue for the respective years. Currently, we have a number of research and development projects underway, mostly in relation to applications used in new energy vehicles. We intend to apply approximately 60.0% of the net proceeds from the Global Offering for expanding and enhancing our research and development capabilities and infrastructure. In addition, we intend to apply approximately 30% of the net proceeds from the Global Offering to finance acquisition of research and development capabilities that complement our development plan.

There is no assurance that our research and development projects can be completed within the anticipated time frame and our research and development efforts may not lead to new applications or solutions that are commercially successful. We may also experience delays or be unsuccessful in any stage of research and development. We may not be able to successfully adopt such applications and solutions to our product offering or our customers may not be receptive to our new applications and solutions.

The automotive industry is competitive. According to Frost & Sullivan, there are three categories of market participants that perform research and development related work in respect of automotive electronic products, namely the electronics

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## RISK FACTORS

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design departments of OEMs, the research and development departments of automotive electronic product manufacturers, and independent automotive electronics solution providers such as our Group.

While according to Frost & Sullivan, there are not many independent automotive electronics solution providers with considerable business scale in the PRC, we face competition from downstream sectors as OEMs and their suppliers seek to strengthen their in-house research and development capabilities. Our competitors may also include foreign suppliers with substantially greater resources than us. Recognizing the market potential, global suppliers of chips, semiconductors, and electronic products are expanding their business coverage into the PRC market and may become rivals for domestic automotive electronics solution providers.

There is no assurance that OEMs or their suppliers will not continue to strengthen their research and development capabilities or turn to our other competitors for the provision of automotive electronics solutions. If competition from different players in the automotive industry intensifies, our competitiveness, business, results of operations, profitability and prospect may be adversely affected.

**We are subject to inventory risks and may have to write off or write down our inventories if they are not effectively managed.**

Our inventory turnover days increased from 67.6 days in 2015 to 72.1 days in 2016, and further increased to 79.7 days in 2017. We review the value of our inventories at the end of each reporting period and compare it to the estimated selling price in the ordinary course of business less the estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in downstream industries. Any write-down of inventories to net realizable value will impact on the carrying values of the inventories and the expenses of that period. As at 31 December 2015 and 2016, upon considering the age and future usage or sales of the inventories, our write-down of inventories to net realizable value for the respective year was RMB2.5 million and RMB6.8 million.

As a result, we are subject to risks associated with the increasing inventory turnover days, including the requirement for additional working capital which may be tied up with our inventories. Further, we may have to further write off or write down our inventories if we consider the inventory to be obsolete. We cannot assure you that we can effectively manage our inventory levels or would not have significant levels of obsolete or excessive inventories. In the event we cannot effectively manage our inventory levels, our business, financial condition and results of operations may be materially and adversely affected.

**We may not be able to respond quickly enough to changes in regulations and technology, and our technical know-how may become obsolete.**

Changes in legislative, regulatory, or industry requirements or in competitive technologies may render certain of our solutions and know-how less attractive or obsolete. Our ability to anticipate changes in technology and regulatory standards and to successfully develop and introduce new and enhanced solutions on a timely basis

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## RISK FACTORS

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is crucial to our ability to remain competitive and to maintain or increase our revenues. We cannot assure you that certain of our solutions will not become obsolete or that we will be able to achieve the technological advances that may be necessary for us to remain competitive and maintain or increase our revenues in the future. The pace of our development and introduction of new and improved solutions depend on our ability to successfully implement technological innovations in research and development, design and engineering, which requires extensive investment. Any reductions in investments in these areas that we may implement in the future could reduce our ability to develop and implement innovations to enhance our current offering, which may materially reduce demand for our solutions.

To compete effectively, we must be able to launch new solutions to meet changing consumer preferences and our customers' demands in a timely and cost-effective manner. We may not be able to respond adequately to competitive pressures or react quickly to other changes in the market, which could have a material adverse effect on our business, results of operations and financial condition.

Automotive technology is continually evolving rapidly due to technological advancements and scientific discoveries. These changes result in the frequent introduction of new products and significant price competition. If our technical know-how becomes obsolete, our business, financial condition and results of operations could be adversely affected. We may need to incur significant costs in order to maintain and upgrade our research and development capabilities and facilities to adapt to new technological development and to stay ahead of the latest trend. In addition, our competitors may develop new solutions, or supply other substitute products which are superior to our solutions in terms of costs, time and efficacy. If any of these factors materializes, our competitiveness, business, results of operations and profitability may be adversely affected.

**The PRC government may implement policies to restrict the supply of and/or reduce the demand for automobiles in the PRC which may adversely affect our business, financial condition and results of operations.**

Our performance is reliant on the market demand for automobiles in the PRC which is in turn significantly affected by, among other things, government policies relating to the automotive industry. Any changes in government policies applicable to the PRC automotive industry would reduce the demand for automobiles, automotive electronics components and our solutions.

National and regional governments in the PRC have promulgated a series of favourable policies in favour of the development of new energy vehicles. These include the New Energy Automobile Production Enterprises and Product Access Management Rules (Order No. 39 of the MIIT) (新能源汽車生產企業及產品准入管理規定(中華人民共和國工業和信息化部令第39號)) issued by the MIIT on 6 January 2017 which became effective 1 July 2017 which aims to encourage enterprises to invest in research and development and the production of new energy vehicles; and the Guiding Opinions on Speeding up the Popularization and Application of New Energy Vehicles (關於加快新能源汽車推廣應用的指導意見) in 2014 which puts forward general requirements to facilitate the popularization of new energy vehicles.

In terms of revenue contributions, our solutions used in new energy vehicles grew in significance during the Track Record Period. In 2015, 2016 and 2017, revenue



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## RISK FACTORS

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generated from our new energy solutions amounted to RMB108.6 million, RMB198.2 million and RMB353.3 million, respectively, making up 14.8%, 17.2% and 24.0% of our total revenue for the respective years. In the coming years, we expect that one of our primary focuses will be to continue to offer solutions for new energy vehicles.

There is no assurance that the PRC government will continue to formulate policies supportive of the automotive industry, and in particular the development of new energy vehicles. There is also no assurance that policies which may adversely affect the automotive industry will not be formulated in the future. Any implementation of government policies to restrict the supply of and/or reduce the demand for automobiles, and in particular new energy vehicles, in the PRC may adversely affect the demand for our solutions, in which event there may be a material and adverse effect on our business, financial condition and results of operations.

**We may not be able to implement our growth strategies or manage our growth effectively, in which case, our ability to capture new business opportunities may be hindered.**

Our future success depends, to a large extent, on our ability to implement our future plans. We intend to, among other things, increase our solution offerings for new energy vehicles and develop modularity solutions to increase our market penetration. See “Business — Our Strategies” and “Future Plans and Use of Proceeds” for detailed information of our future plans.

However, our ability to grow progressively and materialize our future plans will be subject to a wide range of operational and financial requirements, including appropriate allocation of capital investment in implementing various plans and adequate human resources. We may also be unable to realize our future plans in accordance with the expected timetable or at all due to other risks and uncertainties which include, among others, intensifying competition, our ability to retain key employees and maintain favourable labour relations, our financial stability in terms of profits and cash flow, and our existing business relationships with major customers and suppliers. The execution of our future plans may also be hindered by other broader factors beyond our control, such as general market conditions, the domestic and international economic and political environment.

In particular, our expansion plans are subject to risks and uncertainties, including, among others:

- failure to achieve the intended objective or benefits;
- diversion of resources and management attention;
- accurately estimate expected customer demand for our solution offerings; and
- change in favourable government policies towards new energy vehicles in China.

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## RISK FACTORS

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We may not be able to address the foregoing risks and uncertainties associated with our future expansion plans. If we fail to implement our growth strategies or manage our growth effectively, this may hinder our ability to capture new business opportunities and maintain our competitive edge, and hence, our future growth, financial conditions and results of operations may be materially and adversely affected.

**Our success depends on our ability to retain our core management team and other key personnel. If we lose the service of our core management team and other key personnel and there are no suitable and competent replacements, our business operations and future planning may be adversely affected.**

Our future success depends substantially on the continued efforts of our core management team and other key employees. In particular, we are highly dependent on the continued services and performance of Mr Luk, our Chairman, co-CEO and executive Director, and Mr Chan, our co-CEO and executive Director, who jointly founded our Group and have in-depth understanding of the PRC automotive industry and bring a wealth of experience in running and steering the development of our business. We also rely on our key research and development and sales employees for the operation of our business. For further information on our directors and senior management, please see “Directors and Senior Management”.

We may not be able to retain the services of our core management team, or attract and retain senior executives and key personnel in the future. If one or more of our core management team are unable or unwilling to continue their employment with us, we may not find replacements in a timely manner, or at all, our business may be severely disrupted and our financial condition and results of operations may be materially and adversely affected. We may also incur additional expenses to recruit and retain qualified replacements. As we continue to grow, we cannot guarantee we will continue to attract the personnel we need to maintain our competitive position. If any of our executive officers joins a competitor or forms a competing company, we may lose customers, suppliers, partners and know-how.

Moreover, as we expand our operations and develop new solutions, it may be desirable for us to recruit and retain additional experienced management, key research and development and sales personnel. Competition for qualified management, research and development and sales personnel in the automotive industry is intense, and the availability of suitable and qualified candidates in China may be limited. Competition for these individuals could cause us to offer higher compensation and other benefits to attract and retain them, which could materially and adversely affect our financial condition and results of operation. If we fail to recruit and retain talents, our growth may be adversely affected. We also do not maintain any key personnel insurance and will not be indemnified for any loss of our senior management members.

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## RISK FACTORS

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**Our growth is dependent on our continuing ability to retain and attract qualified research and development professional personnel. Failure to retain and attract appropriate qualified professional personnel may adversely affect our business and prospects.**

Given the technology-intensive nature of our business, we rely on highly-skilled professional staff to maintain and expand our operations. In particular, the industry expertise and extensive contributions of our research and development team are essential to our continuing success. As at 31 December 2017, our research and development team comprised 230 staff members, making up 61.3% of our total employees headcount. As we continue to grow our business, we will increasingly require additional experienced and knowledgeable staff. Our performance and future development depend on our ability to employ, train and retain highly-skilled personnel. We expect that our need for employees with industry-related experience and expertise will increase as our customers increase their investments in the development of new energy vehicles and the use of our services. There is, and will continue to be, competition for highly skilled technical personnel with experience in our industry. If we were to lose the services of any of our key research and development staff and were unable to retain and attract replacement personnel with the equivalent qualifications at any time, our financial condition, and results of operations could be adversely affected.

**We rely on our ability to maintain good business relationships with our customers.**

We work closely with OEMs and their suppliers in China from the very beginning of their system and components development cycle in an effort to design a product which satisfies their needs. Our ability to provide tailored solutions to our customers depends on our ability to maintain good business relationships with them. Most of our customers during the Track Record Period are automotive part suppliers in China, who on-sell their products which incorporate our solutions to OEMs. Further, during the Track Record Period, part of our business with suppliers to OEMs was conducted through the referral from the OEMs. If our relationship with any of them deteriorates, our results of operations may be adversely affected.

We generally do not enter into long-term contracts with our customers, and we cannot assure you that we will be able to continue to supply our solutions to them at current levels on similar terms, or at all. We cannot assure you that we will be able to maintain or improve our relationships with our customers. Our revenue will also decline if any of our major customers fails to pay for our solutions. Our use of resources and management attention to continue our business relationships with our major customers and meet their purchase orders may also reduce resources devoted to our other customers and business activities.

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## RISK FACTORS

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### **Future movements in the exchange rate of the renminbi may adversely affect our financial condition and results of operations.**

We are exposed to foreign exchange risks primarily because we purchase imported semiconductor devices from overseas suppliers in foreign currency such as US dollars and euros while we generate a majority of our revenue in renminbi. In 2015, 2016 and 2017, our purchases denominated in currencies other than renminbi accounted for 96.6%, 92.1% and 88.9% of our total purchases for the respective years. The costs of our purchases were therefore affected by exchange rate fluctuations.

Further, there may be a time lag between the time we recognize inventory and the time we make payment to our suppliers. In the event that foreign currencies for our purchases of semiconductor devices appreciate relative to the renminbi from the time we recognize inventory and the time of payment, we would recognize a foreign exchange loss. In 2015 and 2016, we recognized net exchange losses of RMB6.7 million and RMB9.3 million, respectively.

Separately, in order to reduce the risk of currency fluctuations, we may, as we deem appropriate, enter into foreign exchange forward contracts to manage our foreign currency exposure. During the Track Record Period, we entered into certain foreign exchange forward contracts in respect of some of our US dollar-denominated purchases of semiconductor devices. During the Track Record Period and up to the Latest Practicable Date, we did not enter into any forward contracts to hedge our exposure to renminbi-euro exchange risks. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of such transactions may be limited, and we may not be able to effectively hedge our exposure, or at all.

Should the renminbi depreciate substantially against the relevant foreign currencies and to the extent we have entered into any currency hedging activities and such currency hedging activities are not effective, our profit from sales may be eroded. Our exposure to foreign exchange fluctuations and movements in the exchange rate of the renminbi may adversely affect our financial condition and results of operations.

### **We may not be able to adequately protect our intellectual property and know-how and we may infringe the intellectual property rights of others, which may have a material adverse effect on our business, financial condition and results of operations.**

Our success depends on our proprietary know-how that is crucial to our business. We have developed and registered a portfolio of patents and software copyrights to protect our know-how in the PRC. See “Business — Intellectual Property” for further details of our intellectual property rights.

Seeking patent protection can be lengthy and costly, and there is no assurance that our patent applications will result in the grant of patents. Meanwhile, our existing or future patents and copyrights may be insufficient to provide us with meaningful protection or commercial advantages. Our intellectual property rights may also be challenged, invalidated or circumvented. Our competitors may have made substantial investments in competing technologies and may have, or may be able to develop, products that compete directly with our solutions despite our intellectual property rights. We cannot guarantee that we would be able to adequately protect certain aspects of our solutions or know-how.

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## RISK FACTORS

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We rely on confidentiality arrangements with employees to protect our proprietary know-how and trade secrets. If our employees breach their confidentiality obligations and disclose our know-how or trade secrets to our competitors or make unauthorized use of our know-how or trade secrets, our business could be materially and adversely affected.

Although we are not aware of any instances of third party infringement of our intellectual property, or our infringement in others' intellectual property rights, we cannot assure you that there will not be any such infringements of intellectual property rights. The enforcement of intellectual property laws in China has historically been deficient and ineffective, mainly due to the ambiguities in laws, low damage awards and low rates of criminal penalties against the parties that have committed the intellectual property infringements. Accordingly, protection of intellectual property rights in China may not be as effective as in countries such as the United States. Moreover, policing unauthorized use of proprietary know-how is difficult and expensive, and we may have to initiate legal proceedings to defend our intellectual property rights or to seek a determination of the validity and scope of our proprietary rights in respect of our know-how. Such legal proceedings and any adverse determination could result in substantial costs for us and divert our management's attention, which could harm our business and competitive position, and have a material adverse effect on our financial condition and results of operations.

**Our failure to maintain an effective quality control system may result in a material adverse effect on our business, reputation, financial condition and results of operation.**

In order to ensure the components' safety and quality, OEMs and automotive part manufacturers typically select suppliers very cautiously by setting up a series of quality standards and they prefer to maintain a long-term relationship with existing suppliers. Accordingly, the performance and quality of our solutions are critical to the success of our business. These depend significantly on the effectiveness of our quality control system, which in turn, depends on a number of factors, including the design of the system, the machineries used, the quality of our staff and related training programmes, and our ability to ensure that our employees and contract manufacturers adhere to our quality control policies and guidelines. Any significant failure in or deterioration of the efficacy of our quality control systems could result in us losing accreditations and requisite certifications or qualifications, which could in turn have a material adverse effect on our business, reputation, financial condition and results of operation.

**Our success depends on the market recognition of our brand and we could be adversely affected by negative publicity.**

We rely on the market recognition of our brand. We have a well-established operating history in the PRC automotive industry. We believe that business growth in our automotive electronics solutions depends on the customers' perception of our brand and we anticipate that we will continue to rely on our brand in our future business. If we fail to promote our brand or to maintain or enhance the brand recognition and awareness among our customers, or if we are subject to events or negative allegations affecting our brand image or publicly perceived position of our brand, our business, operation results and financial condition could be adversely affected.

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## RISK FACTORS

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**Our margins and profitability may be adversely affected if we are unable to reduce costs or if the prices of our products decline sharply or if we cannot fully pass on the fluctuations in our costs to our customers.**

In 2015, 2016 and 2017, our gross profit margin was 26.2%, 21.0% and 21.0%, respectively. We source our semiconductor devices from major manufacturers such as Infineon generally under non-exclusive distribution agreements. Our suppliers command considerable bargaining power and may adjust the prices of their products from time to time. As we price our automotive electronic solutions, in part, based on terms negotiated with our customers, and as a result we may not be able to fully pass on the fluctuations in our costs to our customers. Any fluctuations in such costs may affect our profit margin, and our operation results and financial condition could be adversely affected.

**A drop in the market share or changes in product mix offered by OEMs who utilize our solutions in their production can affect our revenue.**

We primarily provide our solutions to OEMs and their suppliers and are dependent on the continued growth, viability and financial stability of our customers. The automotive industry is subject to rapid technological change, intense competition, short product life cycles and cyclical consumer demand patterns. When our customers are adversely affected by any of these factors, we may be adversely affected as well to the extent that our customers reduce the volume of orders for our solutions.

As different models of vehicles may require different electronic components, the mix of vehicle offerings by our ultimate OEM customers also affects our sales. A decrease in consumer demand for specific models of vehicles which utilize our solutions could have a material adverse effect on our business, results of operations and financial condition.

**We may be exposed to additional credit risks as any increase in revenue would be likely to result in an increased level of trade receivables.**

Our trading terms with our customers are mainly on credit. The credit period is generally within three months. In 2015, 2016 and 2017, our trade receivables turnover days were 72.8 days, 75.6 days and 90.1 days, respectively. As at 31 December 2017, trade receivables of RMB10.9 million were past due but not impaired. Given that the payment schedules are determined by the contract terms with individual customers, any increase in revenue recognized will increase our level of trade receivables. Further, as we expand our business and start building relationships with new target customers, we may grant longer credit terms to them. If our customers do not strictly adhere to the stipulated credit terms, an increase of revenue would likely lead to an increase level of trade receivables which may further expose us to additional credit risks.

**Misconduct of our personnel could harm our reputation and business.**

Misconduct of our personnel could result in violation of laws by us, regulatory sanctions against us, and material reputational or financial harm to our disadvantage. Such misconduct includes conducting unauthorized or unsuccessful activities

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resulting in unknown and unmanaged risks or losses, improperly using or disclosing confidential information, engaging in fraudulent acts, or otherwise not complying with laws or our internal control procedures. During the Track Record Period and up to the Latest Practicable Date, there had been no disciplinary action or reprimand against any of our Directors or employees. We cannot assure you that there will not be any misconduct of our personnel, and the precautions we take to prevent and to detect such activity may not be effective in all cases. We could also suffer from adverse publicity, reputational damage or litigation losses that may arise from the misconduct by our personnel, which may have a material adverse effect on our business, financial condition and results of operations.

In addition, we are vulnerable to adverse market perception as we operate in an industry where integrity, customer trust and confidence are critical. Litigation and disputes, misconduct of our personnel, changes in senior personnel, customer complaints, outcome of regulatory investigations or penalties on us may harm our reputation. Any harm to our reputation may cause our existing and potential customers to be reluctant to use our solutions in the future and therefore may have a material adverse impact on our business, financial condition and results of operations.

**Failures or security breaches of our information technology systems could disrupt our operations and negatively impact our business.**

Information technology is an important part of our business operations and we increasingly rely on information technology systems to carry out our research and development projects and to manage business data. We also utilize information technology systems to process financial information and results of operations for internal reporting purposes and to comply with regulatory, legal and tax requirements. In addition, we depend on information technology for electronic communications between our facilities, personnel, customers and suppliers.

Our information technology systems may be vulnerable to a variety of interruptions, including during the process of upgrading or replacing software, databases or components, natural disasters, terrorist attacks, telecommunications failures, computer viruses, cyber-attacks, hackers, unauthorized access attempts and other security issues. The technology security initiatives and disaster recovery plans we have implemented to address these concerns may not be adequate. Any significant failure of our systems, including failures that prevent our systems from functioning as intended, could cause loss of trade secrets, disruption to our research and development projects, transaction errors, processing inefficiencies, and loss of customers and sales, and may have negative consequences on our employees and our business partners and have a negative impact on our operations or business reputation.

In addition, if we are unable to prevent security breaches, we may suffer financial and reputational damage or penalties because of the unauthorized disclosure of confidential information belonging to us or to our partners, customers or suppliers. Further, the disclosure of non-public sensitive information through external media channels could lead to the loss of intellectual property or damage our reputation and brand image.

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**We may be subject to product liability claims and we may not have sufficient insurance to cover such contingencies. If we incur substantial liabilities and they are not covered by our insurance policies, or if the claims lead to litigation, government fines or penalties, our business, financial condition, results of operations and reputation could be materially and adversely affected.**

A product liability claim against us may arise from the quality or efficacy of our solutions. We cannot assure you that we will not experience material losses arising from product liability claims in the future. We do not maintain any product liability insurance to cover such contingencies. If our products fail to meet the required specifications or quality standards, our business could be adversely affected. We may face liability claims due to possible defective automotive electronic parts that use our solutions. Such claims may be pursued by way of contractual remedy or by way of civil action if defects in our solutions result in damages or injuries suffered by third parties. Any product liability claim, regardless of whether it has any merit, could be costly and time consuming to defend. If the claim is successful, we may be required to pay substantial damages. We may also be subject to government fines or penalties. In such event, our business reputation, financial condition and results of operations could be materially and adversely affected.

**The discontinuation of any of the preferential tax treatments that we enjoy or imposition of any additional taxes could materially affect our net profit and reduce our profitability.**

The EIT Rate generally applicable in China has been 25% since 1 January 2008 pursuant to the EIT Law. Each of our two principal operating subsidiaries Shanghai Intron and G-Pulse has been recognized as a High and New Technology Enterprise since 2010 and 2011, respectively. As a result, Shanghai Intron and G-Pulse have been subject to a preferential EIT Rate of 15%. During the Track Record Period and for the year ending 31 December 2018, the applicable EIT Rate of Shanghai Intron and G-Pulse is 15%. In 2015, 2016 and 2017, the amount of tax savings attributable to the preferential tax rates applicable to our subsidiaries was RMB4.0 million, RMB1.1 million and RMB3.8 million, respectively. See “Financial Information — Factors Affecting our Results of Operations — Our preferential tax treatments” for further details about such tax benefits.

The qualification of a High and New Technology Enterprise is subject to review by the relevant PRC authorities every three years. The qualification of Shanghai Intron and G-Pulse as High and New Technology Enterprises will expire in 2019 and 2020, respectively. If any or both of Shanghai Intron and G-Pulse fail to maintain or renew their respective High and New Technology Enterprise status, or if the favourable tax policies available to any or both of Shanghai Intron and G-Pulse are withdrawn or revoked by the relevant PRC authorities or become less favourable, Shanghai Intron and G-Pulse will be subject to an increased EIT Rate of 25%, which could materially and adversely affect our net profit, and hence, reduce our profitability.

**The results of our operations are subject to seasonal fluctuation.**

Based on our experience in the PRC automotive electronics solution industry, our sales are subject to seasonal fluctuation. As sales to the customers in the automotive



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market was the major contributor to our sales during the Track Record Period, our seasonal fluctuation in sales correlated to that of the sales in the automotive market in the PRC. While the OEMs in the PRC generally have their peak season in the Chinese New Year which takes place in January or February each year, our peak season is in the fourth quarter of each year as a result of meeting their increasing production level and catering for the peak season of the OEMs. Our Directors believe that we are exposed to the risks associated with such seasonal factors and the fluctuations of demand of our products. Should there be any adverse change of market condition in the fourth quarter of a year, our profitability may be adversely affected.

**We may not be able to obtain additional funding on acceptable terms or at all, which may affect our ability to expand our business or meet unforeseen contingencies.**

We may need additional funding to fund our operations or expansion plans. Our expansion plans may change due to changing circumstances or unforeseen contingencies. Any change in our expansion plans may require us to obtain additional external debt or equity financing. If we are unable to obtain such financing, or are unable to obtain such financing in a timely manner on acceptable terms, we may not be able to expand our business and our operations may be adversely affected. The availability of external funding is subject to various factors, including government approvals, prevailing capital market conditions, credit availability, interest rates and our business performance, some of which are beyond our control. Our inability to procure additional financing in a timely manner on terms acceptable to us could materially and adversely affect our business, results of operations and expansion plans.

**Our operations may be interrupted by operation difficulties due to mechanical failures, utility shortages or stoppages, extreme weather conditions, acts of God or other calamities at or near our facilities, which are beyond our control, and in turn could have a material adverse effect on our business, results of operations and financial condition.**

As at the Latest Practicable Date, we owned one property in Shanghai, and leased a total of 19 properties from independent third parties in the PRC and Hong Kong. See “Business — Properties” for further details of our properties. Significant damage to any of our facilities due to acts of God, acts of war, terrorist attacks, disasters or other causes, such as extreme weather conditions, floods, fires, earthquakes, workforce actions, riots and other disruptions such as mechanical failures and utility shortages or stoppages will disrupt our operation activities. Any such disruption in our operation activities could have an adverse impact on our ability to meet the customers’ demand, that could materially and adversely impair our business and financial condition that we cannot currently predict. Such damage may not be adequately covered by proceeds of our insurance coverage and could materially and adversely affect our business and results of operations.

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### RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

**Changes in PRC economic, political and social conditions, as well as government policies may have an adverse effect on us.**

We conduct a substantial portion of our operations in the PRC. Accordingly, PRC economic, political and social conditions, as well as government policies significantly affect our business, financial condition, results of operations and prospects. The PRC economy differs from the economies of most developed countries in many respects, including the structure, degree of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the Chinese economy has experienced significant growth in the past decades, growth has been uneven both geographically and across different sectors. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. During the past decades, the PRC government has implemented economic reform measures to emphasize the utilization of market forces in economic development. Going forward, the PRC government will deepen economic reform and may, from time to time, formulate and implement various reform policies and measures to regulate and control the economy. While some of these measures benefit the overall PRC economy, they may adversely affect us. For example, our financial condition and results of operations may be adversely affected by government control over sale of automobiles or changes in tax regulations applicable to us. In addition, there are uncertainties as to whether the various reform measures taken by the PRC government can achieve the desired results. The PRC political and social conditions may also have an impact on the implementation of the country's economic reform. Any adverse change in the economic, political and social conditions as well as government policies in the PRC laws, regulations and policies could materially and adversely affect the PRC overall economic growth, and hence, a reduction in demand for our solutions. In addition, our ability to successfully expand our business operations in the PRC depends on a number of factors, including macro-economic and other market conditions, and credit availability from lending institutions.

The PRC government has in the past articulated the need to control economic growth, and to limit inflation. The PRC government implemented a series of macro-economic policies which included raising the benchmark interest rates, increasing the PBOC's statutory deposit reserve ratio and imposing commercial bank lending guidelines that had the effect of restricting loans to certain industries. Certain of these macro-economic policies and stricter lending policies in the PRC may have a material adverse effect on our results of operations, financial condition and our ability to obtain financing, thus reducing our ability to implement our expansion strategies. We cannot assure you that the PRC government will not implement any additional measures to tighten lending, or that, if any such measure is implemented, it will not have a material adverse effect on our future results of operations or profitability. Furthermore, we cannot assure you that our historical economic and market conditions will continue, or that we will be able to sustain our growth.

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**Government control of currency conversion may limit our ability to use capital effectively and could negatively affect our financial condition, operations and our ability to pay dividends, increase competition from foreign competitors, affect the value of our net assets, earnings and dividends in foreign currency terms.**

The PRC government imposes controls on the convertibility of the renminbi into foreign currencies and, in certain cases, the remittance of money out of China. We receive a significant portion of our revenue in renminbi. Under our current structure, our Company's income is to a significant extent derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currencies may restrict the ability of our PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations, if any. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Under existing PRC foreign exchange regulations, payment of certain current account items can be made in foreign currencies without prior approval from the local branch of the SAFE by complying with certain procedural requirements. However, approval from appropriate government authorities is required where renminbi is to be converted into foreign currencies and remitted out of China to pay capital expenses such as the repayment of indebtedness denominated in foreign currencies. The restrictions on foreign exchange transactions under capital accounts could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us.

**The legal system of the PRC is not fully developed, and there are inherent uncertainties which may affect the protection afforded to our business and our Shareholders.**

Most of our business and operations are governed by the legal system of the PRC. The PRC legal system is based on written statutes and their interpretations by the Standing Committee of the National People's Congress. Prior court decisions may be used for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations that had the effect of enhancing the protections afforded to corporate organizations and their governance, as well as various forms of foreign investments in the PRC. However, since these laws and regulations are relatively new and as the PRC legal system continues to evolve rapidly, the interpretation and enforcement of these laws, regulations and rules involves significant uncertainty and different degrees of inconsistency, limiting potentially the available legal protections to our business operations. In addition, PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms. Therefore, it is difficult to evaluate the outcome of administrative and court proceedings, and the actual level of legal protection we enjoy. These uncertainties may affect our judgment on the relevance of legal requirements and our decisions on the measures and actions to be taken to fully

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comply therewith, and may affect our ability to realize our rights under laws in connection with contract or tort. Further, we cannot predict the effect of future legal developments in the PRC, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-exemption of local regulations by national laws. We cannot therefore assure that we will enjoy the same level of legal protection in the future, nor such new laws and regulations will not affect our operations, causing adverse effects on our financial condition and results.

**It may be difficult to effect service of process or to enforce foreign judgments in the PRC. Most of our assets are located in the PRC, investors may encounter difficulties in effecting service of process from outside the PRC upon us or most of our Directors and senior management.**

Most of our assets and subsidiaries are located in the PRC. A number of our Directors and senior management reside in the PRC and their assets may also be substantially located in the PRC. Accordingly, it may not be possible for investors to effect service of process from outside the PRC upon us or these persons or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands, the United States, the United Kingdom, Japan and many other developed countries. Therefore, the recognition and enforcement in China of judgments of a court in any of these jurisdictions may be difficult or even impossible.

**We may be deemed to be a PRC tax resident enterprise under the EIT Law and be subject to PRC taxation on our worldwide income.**

We are a holding company incorporated in the Cayman Islands. However, under the EIT Law, which was amended on 24 February 2017 came into effect on the same date, enterprises organized under the laws of jurisdictions outside the PRC with their “de facto management bodies” located within the PRC may be considered “PRC tax resident enterprises” and subject to a uniform EIT Rate of 25% on their worldwide income. The implementation rules to the EIT Law define the term “de facto management body” as body that has material and overall management, and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise.

The SAT issued the Notice on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in accordance with Criteria for Determining Place of Effective Management (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) and the Administrative Measures on the Corporate Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (境外註冊中資控股居民企業所得稅管理辦法(試行)) in April 2009 and July 2011, respectively, which set out certain criteria for specifying what constitutes a “de facto management body” in respect of enterprises that are established offshore by PRC enterprises. However, no such criteria are provided in these or other publications by the SAT in respect of enterprises established offshore by private individuals or foreign enterprises like us.

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As a result, it is unclear whether we will be deemed to be a “PRC tax resident enterprise” for the purpose of the EIT Law even though a significant portion of our operational management is currently based in the PRC. We are currently not treated as a PRC resident enterprise by the relevant tax authorities. Nonetheless, we cannot assure you that we will not be treated as a PRC resident enterprise under the EIT Law and not be subject to the EIT Rate of 25% on our global income in the future. If we were treated as a “PRC tax resident enterprise”, we would be subject to PRC income taxes on our worldwide income, which may adversely affect our profitability and distributable profit to our Shareholders.

### **Gains on the sale of Shares and dividends on the Shares may be subject to PRC income taxes.**

Under the EIT Law, PRC withholding tax at the rate of 10% is applicable to dividends payable by “PRC tax resident enterprises” to investors that are “non-PRC residents”, that is, investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their source within the PRC. Similarly, any gain realized on the transfer of shares of “PRC tax resident enterprises” by such investors is also subject to PRC income tax, usually at rate of 10% unless otherwise reduced or exempted by relevant tax treaties or similar arrangements, if such gain is regarded as income derived from sources within the PRC.

We are a holding company incorporated in the Cayman Islands and a significant portion of our operations is in the PRC. There is uncertainty whether we will be considered a “PRC tax resident enterprise” for the purpose of the EIT Law. As a result, it is unclear whether dividends paid on our Shares, or any gain realized from the transfer of our Shares, would be treated as income derived from sources within the PRC and would as a result be subject to PRC income tax. If we are considered a “PRC tax resident enterprise”, then any dividends paid to our Shareholders that are “non-PRC residents” and any gains realized by them from the transfer of our Shares may be regarded as income derived from PRC sources and, as a result, would be subject to an EIT Rate of 10% (and may be imposed at a rate of 20% in the case of non-PRC resident individual shareholder), unless otherwise reduced or exempted. If we are considered a “PRC tax resident enterprise”, it is unclear whether our Shareholders would be able to claim the benefit of income tax treaties or agreements entered into between PRC and other countries or regions. If dividends payable to our non-PRC Shareholders that are “non-PRC residents”, or gains from the transfer of our Shares are subject to PRC tax, the value of such non-PRC Shareholders’ investment in our Shares may be materially and adversely affected.

### **The Chinese tax authorities have strengthened their scrutiny over transfers of equity interests in a PRC resident enterprise by a non-resident enterprise, which may negatively affect our business and our ability to conduct mergers, acquisitions or other investments.**

On 3 February 2015, the SAT issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (“Circular 7”).

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On 17 October 2017, SAT issued the Announcement on Issues concerning the Withholding of Enterprise Income Tax at Source on Non-Resident Enterprises (關於非居民企業所得稅源泉扣繳有關問題的公告) (“Circular 37”) which became effect on 1 December 2017, which provides that the income from property transfer means the consideration collected by the equity transferor from the transfer of equities, including all kinds of monetary and non-monetary income. Income from equity transfer shall include the income from the transfer of equities and equity investment assets (hereinafter referred to as “equities”). The balance after deducting the net value of equities from the income from equity transfer is the taxable income from equity transfer. Circular 7 provides comprehensive guidelines relating to, and heightened the Chinese tax authorities’ scrutiny on, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (“PRC Taxable Assets”). For example, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is believed by the Chinese tax authorities to have no reasonable commercial purpose than to evade enterprise income tax, Circular 7 allows the Chinese tax authorities to reclassify this indirect transfer of PRC Taxable Assets into a direct transfer and impose on the non-resident enterprise an EIT Rate of 10%. Circular 7 exempts this tax, for examples, (i) where a non-resident enterprise derives income from an indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company in the public market, and (ii) where a non-resident enterprise transfers PRC Taxable Assets that it directly holds and an applicable tax treaty or arrangement exempts this transfer from PRC enterprise income tax. It remains unclear whether any exemptions under Circular 7 will be applicable to any future mergers, acquisitions or other investments that we may make outside China involving PRC Taxable Assets or to transfers of our Shares by our Shareholders. If the Chinese tax authorities impose PRC enterprise income taxes on these activities, our ability to expand our business or seek financing through these transactions may be adversely affected.

**We rely on dividends paid by our subsidiaries for our cash needs, and limitations under the PRC laws on the ability of our PRC subsidiaries to distribute dividends to us could adversely affect our ability to utilize such funds.**

Our Company is a holding company incorporated in the Cayman Islands and a significant portion of our operations is conducted through our subsidiaries in the PRC. Therefore, the availability of funds to pay dividends to our Shareholders and to service our indebtedness outside China depends on dividends received from these subsidiaries. If our subsidiaries incur any debt or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends or other distributions and to service our indebtedness will be restricted.

PRC law requires that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRS. PRC law also requires foreign invested enterprises, such as our subsidiaries in China, to set out aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends.

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## RISK FACTORS

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### **Inflation in the PRC could materially and adversely affect our profitability and growth.**

Our success relies significantly on the growth of the PRC automotive market. While the PRC economy has experienced rapid growth, such growth was at times accompanied by periods of high inflation. In order to control inflation in the past, the PRC government has imposed controls on bank credits, limits on loans for fixed assets, and restrictions on state bank lending. Nevertheless, the effects of the stimulus measures implemented by the PRC government from time to time may have contributed to the occurrence of, and continue increase in, inflation in the PRC. If such inflation is allowed to proceed without mitigating measures by the PRC government, our costs of sales will likely increase, and our profitability may be materially reduced, as there is no assurance that we will be able to pass any cost increases onto our customers. If the PRC government implements new measures to control inflation, these measures may lead to a slowing of economic growth. A slowdown in the PRC economy may have a material adverse effect on our business, results of operation, financial condition and prospects.

### **PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent our Group from using the proceeds of fund raising exercise to make loans to our PRC subsidiaries, or to make additional capital contributions to our PRC subsidiaries.**

Our Company is an offshore holding company conducting the operations in the PRC through our PRC subsidiaries. Our Group may make loans or additional capital contributions to our PRC subsidiaries or we may establish new PRC subsidiaries or acquire offshore entities with business operations in the PRC in an offshore transaction. However, loans by our Group to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE. If we decide to finance our PRC subsidiaries by means of capital contributions, these capital contributions must be approved or filed by MOFCOM or its local counterpart, and registered with the local SAFE.

In light of the various requirements imposed by PRC regulations on loans to, and direct investment in, PRC entities by offshore holding companies, we cannot assure you that our Group will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds that we raised outside the PRC and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and ability to fund and expand our business.

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## RISK FACTORS

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### RISKS RELATING TO THE GLOBAL OFFERING

**An active trading market in our Shares may not develop, which could have a material adverse effect on the Share price and your ability to sell your Shares.**

Prior to the Global Offering, there was no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Sole Global Coordinator (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for the listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering.

**The liquidity and market price of our Shares may be volatile, which may result in substantial losses for subscribing for or purchasing our Shares under the Global Offering.**

The price and trading volume of our Shares may be volatile as a result of the following factors, as well as others, which are discussed in “Risk Factors” or elsewhere in this prospectus, some of which are beyond our control:

- actual or anticipated fluctuations in our results of operations;
- news regarding recruitment or loss of key personnel by us or our customers;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- changes in general economic conditions or other developments affecting us or our industry;
- price movements on international stock markets, the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of lock-up or other transfer restrictions on our outstanding Shares or sale or perceived sale of additional Shares by us, the Controlling Shareholders or other Shareholders.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related or disproportionate to the operating performance of particular companies. Any such developments may result in large and sudden changes in the trading volume and price of our Shares. We cannot assure you that these developments will not occur in the future.



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## RISK FACTORS

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**Future issues, offers or sale of our Shares may adversely affect the prevailing market price of our Shares.**

Future issues of Shares by our Company or the disposal of Shares by any of our Shareholders or the perception that such issues or sale may occur, may negatively affect the prevailing market price of the Shares. Moreover, future sale or perceived sale of a substantial amount of our Shares or other securities relating to our Shares in the public market may cause a decrease in the market price of our Shares, or adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. Our Shareholders may experience dilution in their holdings in the event we issue additional securities in future offerings. The Shares held by our Controlling Shareholder are subject to certain lock-up undertakings for a period of up to 12 months after the Listing Date. Details of such lock-up undertakings are set out in “Underwriting — Underwriting Arrangements And Expenses”. We cannot give any assurance that they will not dispose of their Shares they may own now or in the future.

**The market price of our Shares when trading begins could be lower than the Offer Price as a result of, among other things, adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.**

The Offer Price will be determined on the Price Determination Date. However, the Offer Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be on the fifth Business Day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Offer Shares during that period. Accordingly, holders of the Offer Shares are subject to the risk that the price of the Offer Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

**You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law, and these laws relating to the protection of interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions.**

Our corporate affairs are governed by our Articles of Association, the Cayman Companies Law, and the common law of the Cayman Islands. The rights of shareholders to take action against directors, the rights of minority shareholders to institute actions and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may not be the same as they would be under statutes or judicial precedent in Hong Kong. In particular, the Cayman Islands have different securities laws as compared to Hong Kong and may not provide the same protection to investors. Furthermore, shareholders of Cayman Islands companies may not have standing to initiate a shareholder derivative action in a Hong Kong court.

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## RISK FACTORS

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**Our Controlling Shareholders have significant influence over our Company and their interests may not be aligned with the interests of our other Shareholders.**

Immediately following the Global Offering, our Controlling Shareholders will hold in aggregate approximately 75% of our Shares, assuming the Over-allotment Option is not exercised. Our Controlling Shareholders will, through their voting power at the shareholders meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our Shares.

**Investors should read the entire prospectus carefully and should not consider any particular statements in published media reports without carefully considering the risks and other information contained in this prospectus.**

There may be coverage in the media regarding the Global Offering and our operations. There had been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contains, among other matters, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We do not accept any responsibility for the accuracy or completeness of the information and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should read the entire prospectus carefully and should not rely on any of the information in press articles or other media coverage. Prospective investors should only rely on the information contained in this prospectus and the Application Forms to make investment decisions about us.

**Forward-looking information may prove inaccurate.**

This prospectus contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this prospectus, the words “anticipate”, “believe”, “estimate”, “expect”, “plan”, “aim”, “continue”, “intend”, “predict”, “potential”, “seek”, “prospects”, “going forward”, and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove

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## RISK FACTORS

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incorrect, actual results may diverge significantly from the forward-looking statements in this prospectus. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out above. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Hong Kong Stock Exchange.

### **We may be unable to declare dividends on our Shares in the future.**

In 2017, Intron HK declared and paid a dividend of US\$3,860,000 (equivalent to RMB26,238,000 using an exchange rate of US\$6.7974 per RMB1.00). In January 2018, Shanghai Intron declared a dividend of RMB100 million to its then shareholders and Intron HK declared a dividend of US\$6.2 million. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. The amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial position, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. For further details of our dividend policy, see “Financial Information — Dividend”. Our future payments of dividends will be at the absolute discretion of our Board. We cannot assure you when or whether we will pay dividends in the future.

### **Possible setting of the Offer Price after making a Downward Offer Price Adjustment.**

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Share. It is therefore possible that the final Offer Price will be set at HK\$2.61 per Offer Share upon the making of a full Downward Offer Price Adjustment. In such a situation, the Global Offering will proceed and the Withdrawal Mechanism will not apply.

If the final Offer Price is set at HK\$2.61, the estimated net proceeds we will receive from the Global Offering will be reduced to HK\$582.0 million and such reduced proceeds will be used as described in the “Future Plans and Use of Proceeds section — Use of Proceeds” section.

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements that state our intentions, beliefs, expectations or predictions for the future that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our operations and business prospects;
- future developments, trends, and conditions in the automotive industry in China;
- our strategies, plans, objectives and goals;
- the regulatory environment and industry outlook in general for the automotive industry discussed in this prospectus;
- general political and economic conditions in the PRC;
- our dividend policy;
- our research and development plan and pipeline;
- our future capital needs and capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital markets developments;
- the competitive markets for our solutions and the actions and developments of our competitors;
- volumes, operations, margins, overall market trends, risk management and exchange rates;
- other statements in this prospectus that are not historical fact;
- exchange rate fluctuations and developing legal system, in each case pertaining to the PRC and the industry and markets in which we operate;
- financial condition and performance;
- regulations and restrictions, including regulations relating to new energy vehicles;
- macroeconomic measures taken by the PRC to manage economic growth; and
- other factors beyond our control.

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## FORWARD-LOOKING STATEMENTS

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When used in this prospectus, the words “anticipate”, “believe”, “estimate”, “expect”, “plan”, “aim”, “continue”, “intend”, “predict”, “potential”, “seek”, “prospects”, “going forward” and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this prospectus. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out above. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Hong Kong Stock Exchange.

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## **WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

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In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

### **CONNECTED TRANSACTION**

Members of our Group have entered into a transaction which would constitute a non-exempt continuing connected transaction of our Company under the Listing Rules after the Listing. Such transaction is subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the applicable requirements under Rule 14A.105 of the Listing Rules. Further details of such non-exempt continuing connected transaction and the waiver are set out in "Connected Transaction".

### **APPOINTMENT OF JOINT COMPANY SECRETARIES**

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint as our company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules sets out the academic and professional qualifications considered to be acceptable by the Hong Kong Stock Exchange:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Listing Rules sets out the factors that the Hong Kong Stock Exchange considers when assessing an individual's "relevant experience":

- (a) length of employment with the issuer and other issuers and the roles he played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Hong Kong Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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We have appointed Mr Ng Ming Chee as one of our joint company secretaries. He joined our Group in September 2016 and is our chief financial officer as well as an executive Director, and has over 30 years of managerial experience in finance-related matters. For more background information on Mr Ng Ming Chee, see “Directors and Senior Management”. Mr Ng Ming Chee, however, does not possess the specified qualifications required by Rule 3.28 of the Listing Rules. Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have made the following arrangements:

- Mr Ng Ming Chee will endeavour to attend relevant training courses to enable him to acquire a good understanding of the relevant Hong Kong laws and regulations, including briefing on the latest changes to the applicable Hong Kong laws and regulations as well as the Listing Rules organized by our Company’s Hong Kong legal advisers on an invitation basis and seminars organized by the Hong Kong Stock Exchange for listed issuers from time to time, in addition to the minimum requirement under Rule 3.29 of the Listing Rules;
- we have appointed Mr Wong Yu Kit, who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as one of our joint company secretaries to work closely with and to provide assistance to Mr Ng Ming Chee in the discharge of his duties as a company secretary for an initial period of three years commencing from the Listing Date so as to enable Mr Ng Ming Chee to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as company secretary; and
- before the end of the aforesaid three-year period, the qualifications and experience of Mr Ng Ming Chee will be re-evaluated; Mr Ng Ming Chee is expected to demonstrate to the Hong Kong Stock Exchange’s satisfaction that he, having had the benefit of Mr Wong Yu Kit’s assistance for three years from the Listing Date, would then have acquired the “relevant experience” within the meaning of Note 2 to Rule 3.28 of the Listing Rules; if such requirements cannot be satisfied, we will employ a suitable candidate who will be able to comply with the requirements under Rule 8.17 of the Listing Rules as secretary of our Company.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules. Such waiver will be revoked immediately if and when Mr Wong Yu Kit ceases to provide such assistance. We will liaise with the Hong Kong Stock Exchange before the end of the three-year period to enable it to assess whether Mr Ng Ming Chee, having had the benefit of Mr Wong Yu Kit’s assistance for three years, will have acquired relevant experience within the meaning of the Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

### **GLOBAL OFFERING**

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

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, or any of the Relevant Persons.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Global Coordinator. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date.

The Offer Price is expected to be fixed among the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 5 July 2018 and, in any event, not later than Tuesday, 10 July 2018 (unless otherwise determined between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Sole Global Coordinator and our Company on or before Tuesday, 10 July 2018, the Global Offering will not become unconditional and will lapse immediately.



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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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We have reserved the right to make a Downward Offer Price Adjustment to provide flexibility in pricing the Offer Shares. The ability to make a Downward Offer Price Adjustment does not affect our obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in this prospectus.

If it is intended to set the final Offer Price at more than 10% below the bottom end of the indicative Offer Price range, the Withdrawal Mechanism will be applied if the Global Offering is to proceed.

Please see “Underwriting” for further information about the Underwriters and the underwriting arrangements.

### **PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES**

The application procedures for the Hong Kong Offer Shares are set out in “How to Apply for Hong Kong Offer Shares” and on the relevant Application Forms.

### **STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING**

Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering”.

### **SELLING RESTRICTIONS ON OFFERS AND SALE OF SHARES**

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by their acquisition of Offer Shares to, confirm that they are aware of the restrictions on offers for the Offer Shares described in this prospectus and on the relevant Application Forms.

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

### **APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE**

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue, the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the exercise of any options which may be granted under the Share Option Scheme.

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

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **OVER-ALLOTMENT OPTION AND STABILIZATION**

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in “Structure of the Global Offering”.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Main Board of the Hong Kong Stock Exchange are expected to commence on Thursday, 12 July 2018. The Shares will be traded on the Main Board of the Hong Kong Stock Exchange in board lots of 1,000 Shares each. The stock code of the Shares will be 1760.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of the listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### **SHARE REGISTER AND STAMP DUTY**

Our principal register of members will be maintained in the Cayman Islands by our principal registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands, and our Hong Kong register will be maintained by the Hong Kong Share Registrar in Hong Kong.

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

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasized that neither we nor any of the Relevant Persons accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares.

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## INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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### TRANSLATION

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated. If there is any inconsistency between the names of any of the entities mentioned in this English prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

### EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in renminbi, Hong Kong dollars and US dollars have been translated, for the purpose of illustration only, in this prospectus at the following rates:

RMB0.81835 to HK\$1  
RMB6.4235 to US\$1  
HK\$7.8493 to US\$1

These translations are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in renminbi, Hong Kong dollars or US dollars can be or could have been converted at the rates stated or any other rates or at all.

### ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Please see “Directors and Senior Management” for further information on our Directors.

### DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr Luk Wing Ming (陸穎鳴)	Flat A, 5/F Tower 1 Mayfair by the Sea 23 Fo Chun Road Tai Po, New Territories Hong Kong	Chinese
Mr Chan Cheung Ngai (陳長藝)	Flat B, 51/F Tower 9 The Palazzo 28 Lok King Street Sha Tin, New Territories Hong Kong	Chinese
Mr Chan Ming (陳銘)	3/F, 32C Braga Circuit Homantin, Kowloon Hong Kong	Chinese
Mr Ng Ming Chee (黃晞華)	Room D, 7/F, Block 2 23 Fat Kwong Street Homantin, Kowloon Hong Kong	Malaysian
<i>INEDs</i>		
Mr Jiang Yongwei (江永璋)	#15-5-1 Ningkang Garden Hanyang District, Wuhan China	Chinese
Mr Yu Hong (余宏)	Room 2003, #1, Lane 289 Hefei Road Luwan District, Shanghai China	Chinese
Mr Tsui Yung Kwok (徐容國)	Flat H 39/F Tower 3 Metro Town 8 King Ling Road Tseung Kwan O, New Territories Hong Kong	Chinese

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED IN THE GLOBAL OFFERING

<b>Sole Sponsor</b>	BNP Paribas Securities (Asia) Limited 59/F to 63/F, Two International Finance Centre 8 Finance Street Central Hong Kong
<b>Sole Global Coordinator, Bookrunner, and Lead Manager</b>	BNP Paribas Securities (Asia) Limited 59/F to 63/F, Two International Finance Centre 8 Finance Street Central Hong Kong
<b>Hong Kong Underwriters</b>	BNP Paribas Securities (Asia) Limited 59/F to 63/F, Two International Finance Centre 8 Finance Street Central Hong Kong  Pacific Foundation Securities Limited 11/F, New World Tower Two 16–18 Queen’s Road Central Central Hong Kong
<b>Co-manager</b>	Pacific Foundation Securities Limited 11/F, New World Tower Two 16–18 Queen’s Road Central Central Hong Kong
<b>Legal Advisers to our Company</b>	<i>as to Hong Kong law:</i> Mayer Brown JSM 16th–19th Floors, Prince’s Building 10 Chater Road Central Hong Kong  <i>as to Cayman Islands law:</i> Conyers Dill & Pearman Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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	<p><i>as to PRC law:</i> Commerce &amp; Finance Law Offices 6/F, NCI Tower A12 Jianguomenwai Avenue Chaoyang District, Beijing China</p>
<b>Legal Advisers to the Sole Sponsor and Underwriters</b>	<p><i>as to Hong Kong law:</i> Allen &amp; Overy 9th Floor Three Exchange Square Central Hong Kong</p> <p><i>as to PRC law:</i> Haiwen &amp; Partners 2605 Jing An Kerry Center Tower 1 1515 Nanjing West Road Jing'an District, Shanghai China</p>
<b>Auditors and Reporting Accountants</b>	<p>Ernst &amp; Young 22/F, CITIC Tower 1 Tim Mei Avenue Central Hong Kong</p>
<b>Receiving Bank</b>	<p>Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong</p>

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## CORPORATE INFORMATION

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<b>Registered Office</b>	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
<b>Head Office and Principal Place of Business in Hong Kong</b>	Unit 1008-10, 10/F Delta House 3 On Yiu Street Shatin, New Territories Hong Kong
<b>Company's Website</b>	<b><u><a href="http://www.intron-tech.com">www.intron-tech.com</a></u></b> <i>(The information on the website does not form part of this prospectus)</i>
<b>Joint Company Secretaries</b>	Mr Ng Ming Chee Unit 1008-10, 10/F Delta House 3 On Yiu Street Shatin, New Territories Hong Kong  Mr Wong Yu Kit 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong <i>(an associate member of The Hong Kong Institute of Chartered Secretaries and of The Institute of Chartered Secretaries and Administrators)</i>
<b>Authorized Representatives</b>	Mr Ng Ming Chee Unit 1008-10, 10/F Delta House 3 On Yiu Street Shatin, New Territories Hong Kong  Mr Wong Yu Kit 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
<b>Audit Committee</b>	Mr Tsui Yung Kwok ( <i>chairman</i> ) Mr Jiang Yongwei Mr Yu Hong
<b>Remuneration Committee</b>	Mr Jiang Yongwei ( <i>chairman</i> ) Mr Yu Hong Mr Luk Wing Ming

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## CORPORATE INFORMATION

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<b>Nomination Committee</b>	Mr Chan Cheung Ngai ( <i>chairman</i> ) Mr Jiang Yongwei Mr Tsui Yung Kwok
<b>Compliance Adviser</b>	First Shanghai Capital Limited 19/F Wing On House 71 Des Voeux Road Central Hong Kong
<b>Hong Kong Share Registrar</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
<b>Principal Share Registrar and Transfer Office</b>	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
<b>Principal Bankers</b>	Bank of China, Pudong Development Zone Sub-branch 58 Xinjinqiao Road Pudong New District Shanghai China  Bank of Shanghai, Pudong Branch 699 Zhangyang Road China (Shanghai) Pilot Free Trade Zone Shanghai China  Bank of China (Hong Kong) Limited 23/F, Bank of China Centre Olympian City, 11 Hoi Fai Road West Kowloon Hong Kong  Citibank, N.A., Hong Kong Branch 21/F Citi Tower, One Bay East 83 Hoi Bun Road, Kwun Tong Kowloon Hong Kong



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## INDUSTRY OVERVIEW

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*Certain information, including statistics and estimates, set out in this section and elsewhere in this prospectus have been derived from the Frost & Sullivan Report commissioned by us in connection with the Global Offering and independently prepared by Frost & Sullivan. We believe that the sources of such information are appropriate, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading in any material respect. However, neither we nor any of the Relevant Persons (excluding Frost & Sullivan) have independently verified such information, and neither we nor any other party involved in the Global Offering (excluding Frost & Sullivan) are giving any representation as to the accuracy or completeness of such information. As such, investors are cautioned not to place any undue reliance on the information, including statistics and estimates, set out in this section or similar information included elsewhere in this prospectus. For a discussion of risks relating to our industries, see “Risk Factors — Risks Relating to our Business and Industry”.*

### SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the automotive electronics solution industry in the PRC. The report prepared by Frost & Sullivan for us is referred to in this prospectus as the Frost & Sullivan Report. We agreed to pay Frost & Sullivan a fee of RMB500,000 for the preparation of the report. We believe the fee reflects market rates for reports of this type. Frost & Sullivan is a global consulting company founded in 1961 in New York and has over 40 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. Our Directors confirm that after taking reasonable care, there is no material adverse change in the market information since the date of the Frost & Sullivan Report, which may qualify, contradict or have an impact on the information as disclosed in this section.

### Research methodology

The methodology used by Frost & Sullivan in gathering the relevant market data in compiling the Frost & Sullivan Report includes desktop research and trade interviews. Desktop research involves collection and analysis of data and publication obtained from publicly available sources, including official data and announcements from government agencies, and market research on the industry in general and on the leading industry participants. Trade interviews were conducted with industry participants across the industry chain and relevant institutions to obtain objective and factual data and prospective predictions.

The Frost & Sullivan independent research consists of both primary and secondary research obtained from various sources in respect of the automotive electronics solution industry in the PRC.

### Basis and assumptions

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following major assumptions: (i) the social, economic and political environment in the PRC is likely to remain stable in the forecast period; (ii) key industry drivers are likely to drive the growth of the automotive electronics solution industry in the PRC in the forecast period; and (iii) there is no extreme industry or regulatory events in which the industry may be affected dramatically.

### OVERVIEW OF THE AUTOMOTIVE MARKET IN CHINA

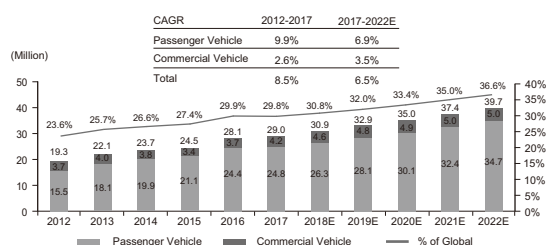
China is the largest automobile manufacturer globally and accounted for approximately 29.8% of the global output in 2017, amid its rapid economic development and continuous advancement of industrialization and urbanization. Automotive vehicle production volume in China grew from 19.3 million units in 2012 to 29.0 million units in 2017 at a CAGR of 8.5%. Frost & Sullivan estimates that China's

## INDUSTRY OVERVIEW

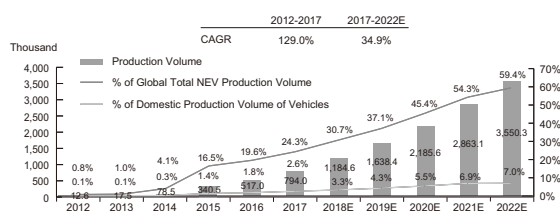
automotive vehicle production volume will grow further from 29.0 million units in 2017 to 39.7 million units in 2022 at a CAGR of 6.5%, accounting for approximately 36.6% of the global output by 2022. Such growth is mainly driven by the growing domestic demand in China for automobiles supported by strong economic growth, rising demands from lower-tier cities and rural areas where the historic penetration rate was lower, and government support.

The production volume of new energy vehicles in China grew from 12,600 units in 2012 to 794,000 units in 2017 at a CAGR of 129.0%, driven by favourable government policies which encourage the production and use of NEV, including the availability of subsidies targeted at OEMs and consumers. Driven by favorable government policies, technological development and consumers' preference, China's NEV production volume is estimated to grow further from 794,000 units in 2017 to 3.6 million units in 2022 at a CAGR of 34.9%, accounting for approximately 59.4% of the global output, according to Frost & Sullivan.

**Production Volume of Domestically Produced Passenger and Commercial Vehicle in China (2012–2022E)**



**Production Volume of New Energy Vehicles in China (2012–2022E)**



**Note:** Passenger vehicles include sedan, SUV, MPV and mini van. Commercial vehicles include trucks and buses. Sales volume refers to factory shipment, which includes export.

**Source:** China Association of Automobile Manufacturers, the Frost & Sullivan Report

**Source:** China Association of Automobile Manufacturers, the Frost & Sullivan Report

- **Government policies.** NEVs are promoted as a means to reduce fuel consumption in the automotive industry. The government also promotes the NEV industry to drive the development of the related industries (including designers and manufacturers of batteries, motors and electric control systems) in an effort to stimulate economic growth.
- **Technological development.** Increasing investment was made in research and development in automotive electronic technologies in China under the government's support which led to remarkable progress, mainly reflected in battery and electric motor control system.
- **Consumers' preference.** In addition to environmental concerns, consumers are incentivized to choose a NEV over a conventional vehicle. According to government policies, purchases of NEVs in China are exempted from purchase tax until the end of 2020. Further, a number of cities in China have introduced local subsidies or allowances to encourage purchases of NEV.

Many OEMs have been focusing their efforts on the development of NEV and some have already announced their strategic plans on targeted NEV production volume by 2020. According to Frost & Sullivan, the top ten Chinese new energy passenger vehicle brands in 2017 are BYD, BAIC, Geely, SAIC, Zoyte, Chery, JMC, Changan, JAC and DFM. Eight of these brand names were our customers during the Track Record Period.

### OVERVIEW OF THE PRC AUTOMOTIVE ELECTRONIC COMPONENTS MARKET

The automotive industry has been undergoing significant changes with the introduction of an increasing number of automotive electronic components used in

## INDUSTRY OVERVIEW

automotive vehicles, which refer to the electrically-driven components with smart features (or inclusion of semiconductor components and related technology). Conventional automobiles primarily deploy heavy mechanical systems, but the advent of semiconductor technology has powered the future of automotive design. With inclusion of electronic systems/control into automobiles, the overall performance and efficiency of an automobile is considerably enhanced. Semiconductor technology has also enabled automotive systems to integrate various applications into a single chip and hence reduce the panel size while optimizing the performance. Integrated electronics solutions have been a key driver for the growth in the automotive industry.

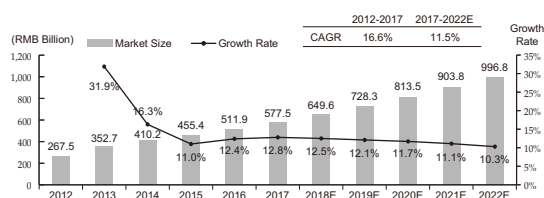
Key reasons for the increasing use of electronic components in automobiles include: (i) critical safety systems; (ii) fuel efficiency; (iii) lighter automotive designs; (iv) a key differentiator for OEMs — particularly the emerging OEMs in China, who are competing with the incumbent manufacturers to gain market shares; and (v) demand from consumers for comfort and entertainment features.

### Market size of automotive electronic components market in China

Driven by the overall growth of the China automotive industry, increasing stringent regulatory requirements, and increasing consumers' demand for smart features to improve the overall user experience, the China's automotive electronic components market has witnessed a robust growth with the market size increasing from RMB267.5 billion in 2012 to RMB577.5 billion in 2017, representing a CAGR of 16.6%.

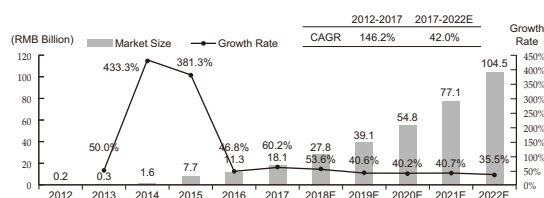
With the advancement of core technology in the automotive, semiconductor and IT industries, along with the continuously increasing penetration of electronic components in automobile manufacturing, Frost & Sullivan estimates the market will grow further to RMB996.8 billion in 2022 at a CAGR of 11.5% from 2017 to 2022.

**Market Size of Automotive Electronic Components in China, 2012–2022E**



Source: National Bureau of Statistics of China, China Association of Automobile Manufacturers, the Frost & Sullivan Report

**Market Size of Automotive Electronic Components of NEVs in China, 2012–2022E**



Source: National Bureau of Statistics of China, China Association of Automobile Manufacturers, the Frost & Sullivan Report

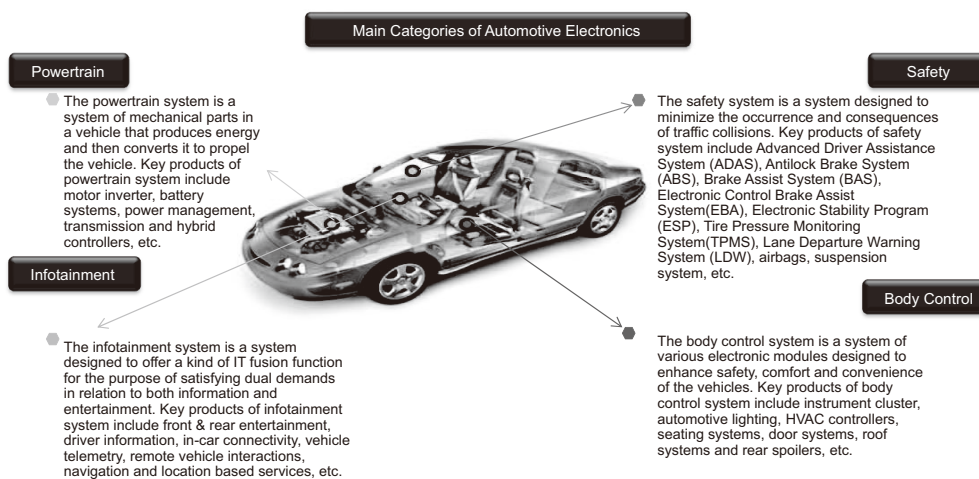
NEV which is designed to enable more smart features is also expected to be an important contributor as they require a larger number of electronic components than conventional automobile. According to Frost & Sullivan, such trend is noticeable after several Chinese automobile manufacturers launched their first NEV models between 2014 and 2015, which resulted in the subsequent significant growth of related electronic component demand. The automotive electronic components of NEVs market has grown from RMB200 million in 2012 to RMB18,100 million in 2017, representing a CAGR of 146.2%.

Going forward, with more OEMs engaged in producing NEV models and the increasing use of electronic components, Frost & Sullivan estimates the market will grow further to RMB104.5 billion in 2022 at a CAGR of 42.0% from 2017 to 2022.

## INDUSTRY OVERVIEW

### Categorization of automotive electronic components

The main areas of applications of automotive electronic components are: (i) powertrain; (ii) body control; (iii) safety; and (iv) infotainment, as illustrated in the following diagram:



Source: The Frost & Sullivan Report

According to Frost & Sullivan, the contribution of the four application categories to the production cost of an automobile in China in 2017 (actual) and 2022 (projected) is as follows:

Application categories	Conventional vehicles		NEVs	
	2017	2022	2017	2022
	Cost %	Cost %	Cost %	Cost %
Powertrain	16.8%	15.8%	31.1%	30.4%
Body control	27.3%	24.5%	23.9%	26.8%
Safety	34.0%	42.0%	29.3%	30.0%
Infotainment	21.9%	17.7%	15.7%	12.8%

Source: The Frost & Sullivan Report

According to Frost & Sullivan, the proportional cost of electronic components in the safety category is expected to increase based on several market trends observed, including the increasing mandatory safety standards. For example, China has promulgated new regulations which impose mandatory configuration of passenger cars with TPMS from 2018 onwards. Furthermore, the continued adoption of ADAS will present business opportunities for even more use of safety technologies, especially in the field of active safety systems.

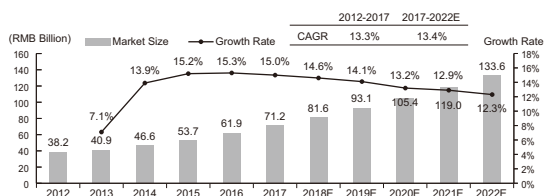
### Semiconductor components and solutions are key drivers to the growing electronic component industry, particularly for the Chinese OEMs

Semiconductors components such as chips, resistors, capacitors, diodes, and printed circuit boards (PCB) are key materials used in manufacturing of electronic products and most of our solutions are developed around these semiconductor components. Technology breakthrough in semiconductor has laid a solid foundation for the advancement of automotive electronics technology. The demand for semiconductor components has witnessed a notable growth in recent years. The automotive semiconductor market in China was valued at RMB71.2 billion in 2017 and is expected to reach RMB133.6 billion by 2022, at a CAGR of 13.4%. The automotive semiconductor market in China accounted for approximately 12.3% of China's total automotive electronic component market in 2017 and is expected to take up 13.4% by

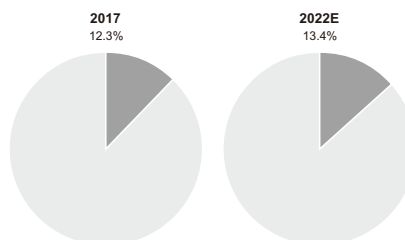
## INDUSTRY OVERVIEW

2022. One of the most significant driving factors is the increasing vehicle production which, in turn, is leading to the rise in demand for automotive semiconductors. Rising trend of vehicle electrification and growing demand for advanced safety, convenience, and comfort systems also contribute to the growth of the semiconductor content in automobiles.

**Market Size of Automotive Semiconductor Device Industry in China, 2012-2022E**



**Percentage of Automotive Semiconductor Component Industry of Automotive Electronic Component Industry in China, 2017 and 2022E**



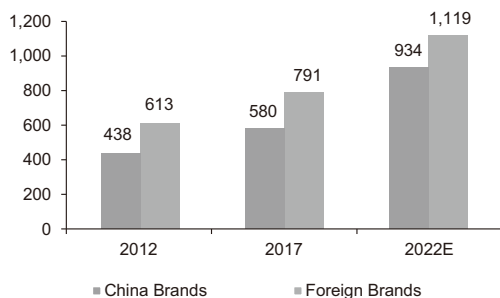
*Note:* The scope includes all types of semiconductor components including chips, resistors, capacitors, diodes and printed circuit boards (PCB) among others

*Source:* China Association of Semiconductor, International Trade Centre, the Frost & Sullivan Report

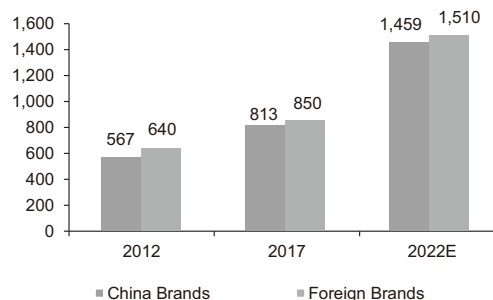
While there is a general increase in the usage of semiconductor chips and related solutions in automobiles, the increase is expected to be more significant among PRC domestic OEMs. According to Frost & Sullivan, the average number of chips installed in a domestically-produced conventional vehicle grew from 438 in 2012 to 580 in 2017, and is estimated to grow further to 934 in 2022. Such increase is correlated to the continued improvement of China's domestic OEMs in providing higher quality vehicles with improving smart features to compete with foreign brands.

In general, NEVs use even more chips than conventional vehicles, mainly due to the application of electric motors and the matched motor controllers. In the future, with more features and functions being added to NEVs, Frost & Sullivan expects that more chips will be used for both Chinese and foreign brands.

**Average Number of Chips Used in a Traditional Vehicle**



**Average Number of Chips Used in a NEV**



*Source:* China Association of Automobile Manufacturers, the Frost & Sullivan Report

## FUNCTIONS OF AUTOMOTIVE ELECTRONICS SOLUTIONS PROVIDERS IN CHINA

Automotive electronics solution providers source integrated circuits and other electronic devices and components from distributors or directly from manufacturers, and then offer customized design services to OEMs or their suppliers. Automotive electronics solution providers usually outsource the production process to PCB-A manufacturers. Automotive electronics solution providers normally source semiconductor devices from either distributors or directly from upstream manufacturers if they have large order size and have close relationship with such manufacturers.

Currently, domestic OEMs tend to outsource the design and manufacturing of automotive electronic components to third party specialists to reduce R&D investment

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## INDUSTRY OVERVIEW

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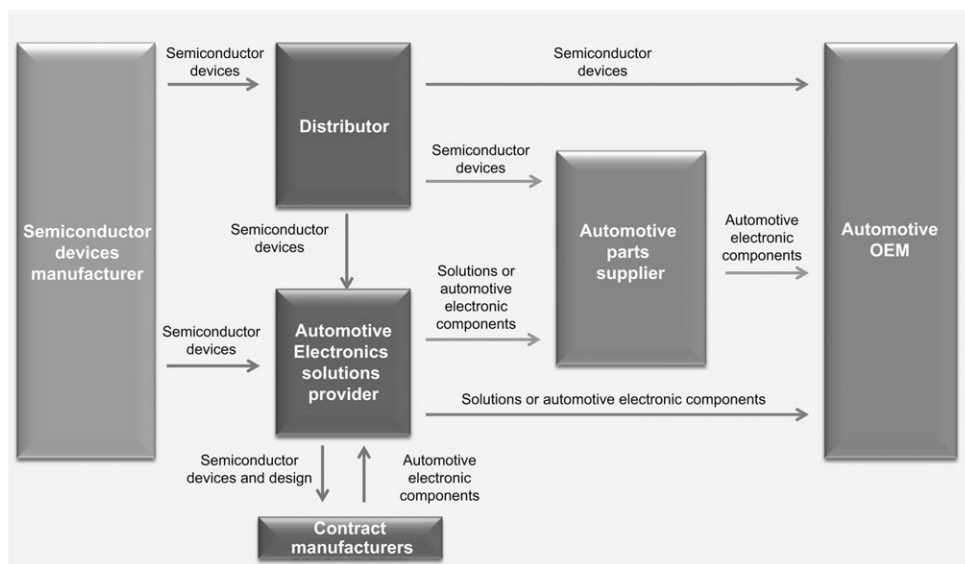
and product development cycle, and dedicate more efforts to system integration. With the rising penetration of electronic components used in domestic brand OEMs, the demand for such service is expected to increase and offers significant market opportunities for automotive electronics solution providers.

According to Frost & Sullivan, automotive electronics solution providers serve the following functions in the automotive industry in China:

- *Shortening product development cycle and enhancing manufacturing efficiency in a highly competitive OEM market.* Independent automotive electronics solution providers can help design products and parts in a short period by leveraging their accumulated expertise and strong R&D capabilities. In this regard, automotive electronics solution providers accelerate and improve the engineering process while reducing the need for physical prototype and durability testing, which in turn reduces new product development time.
- *Saving manufacturing cost.* The design and development of automotive electronic products is time consuming and requires substantial capital investment. On the other hand, lack of bargaining power, domestic automotive electronic product manufacturers or OEMs who purchase finished automotive electronic modules or systems from foreign suppliers are generally charged with high price premium. As a result, expenses used for procuring automotive electronic products has accounted for an increasing proportion of the total production cost of automobiles, which consequentially has an adverse effect on the competitiveness of the automotive electronic product manufacturers and OEMs. Thus there are incentives to reduce the R&D and procurement cost by sourcing automotive electronics solution from a third party.
- *Supporting the development of domestic OEMs.* With an increasing demand for automotive electronics products, such as navigation system, rear camera parking aid and TPMS which have become standardized complementary functions even for mid and low end vehicles, automotive electronics solution providers can help the domestic OEMs to capture market opportunities and remain competitive to catch up with the international brands.

The diagram below sets out the general value chain of the automotive electronics components industry in China:

### Value Chain of Automotive Electronics Components Industry in China



Source: The Frost & Sullivan Report

### Competitive landscape

According to Frost & Sullivan, there are generally three categories of market participants that perform research and development and design of automotive

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## INDUSTRY OVERVIEW

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electronic components in China. The relationships among these three participants are not necessarily in direct competition and it is common that they co-exist or jointly develop solutions when producing automotive electronic components.

- *OEMs*: The research and development departments of OEMs utilize their own resources to design the respective automotive electronic components specific to their vehicles. According to Frost & Sullivan, there is an increasing trend for the Chinese OEMs to outsource part of their research and development process to Tier 1 suppliers and independent automotive electronics solution providers like us, with the objective to shorten product development cycle and enhance manufacturing efficiency in order to maintain competitiveness in a highly competitive automobile consumer market.
- *Automotive electronic product suppliers (i.e. Tier 1 suppliers)*: Automotive electronic product suppliers focus on supplying automotive parts or electronic components for the OEMs. They have their own research and development departments with design capabilities and generally also engage in manufacturing activities. According to Frost & Sullivan, while these Tier 1 suppliers have their own capability to conduct research and development activities, it is common that they also work closely with independent automotive electronics solutions providers like us who have expertise in specific areas that they may not have such as electronic components in new energy vehicles. In particular, Tier 1 suppliers are more willing to work together with independent automotive electronics solutions providers since some of them invest less in research and development.
- *Independent automotive electronics solutions providers*: Automotive electronics solution providers perform research and development for OEMs or their suppliers based on their requirements with the aim to shorten their system and components development cycle through value added services. They generally do not engage in manufacturing activities and work closely with OEMs or their suppliers to provide solutions to enhance the features of the electronic components. For example, they provide semiconductor devices or electronic parts for the OEMs or their suppliers to include in automotive electronic components.

According to Frost & Sullivan, there is no clear delineation in terms of work scope in respect of research and development among the above market participants and it is common that they work together to produce electronic components, and hence market share information for these market participants is not available. The market for independent automotive electronics solution providers is highly fragmented with hundreds of players. Most of these players run a relatively small business scale and engage in multiple industries; and hence there are not many specialized independent automotive electronics solutions providers like us who have considerable business scale according to Frost & Sullivan.

In addition, according to Frost & Sullivan, for certain players with comparable business scales, they cannot be identified as our direct competitors for two reasons:

- (1) the first type of players, which are positioned as across industry electronics solution providers, generally engage in various industries, among which automotive electronics solution is only one of their diversified offerings and accounted for a limited share of total revenue;
- (2) the second type of players, which are positioned as automotive electronics suppliers, mainly serve automotive customers but their business focus are prone to manufacturing parts and modules rather than electronic design service, with the latter accounting for a quite small share in total revenue. As a result, both the number of automotive OEMs these players served and the revenue they generated from automotive electronics segment are much smaller than ours, rendering it difficult to identify our comparable direct competitors at this stage.

### **Entry barriers of the automotive electronics solutions market**

According to Frost & Sullivan, the entry barriers of the automotive electronics solutions market in China include the following:

- *Technology barrier*. The automotive electronics solutions sector is a technology intensive industry and is required to provide advanced design

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## INDUSTRY OVERVIEW

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that can be adapted by OEMs. These technology advantages can only be established after a sufficiently long period of development and practices, which is difficult for new entrants to catch up in a short time.

- *Business barrier.* OEMs and automotive electronic product manufacturers have set high safety and quality thresholds for their crucial components. OEMs and automotive part manufacturers prefer to maintain long-term relationships with existing suppliers.
- *Talents barrier.* A well-established professional R&D team specializing in both automotive and electronics industries with in-depth knowledge of automotive electronic components, experience and vision to identify needs of OEMs ahead of them, is difficult to acquire, nurture and maintain.

### **Key product cost for automotive electronics solution providers**

Hundreds of chips are used in the production of a vehicle, and the functions and prices of such chips vary significantly. According to Frost & Sullivan, the overall chip price is generally stable, and while the average price of automotive chips remained and is expected to continue to be stable, the number of chips used for each vehicle is estimated to increase as a result of improving functionality of electronic systems.

### **KEY DEVELOPMENT TRENDS AND GROWTH DRIVERS FOR THE AUTOMOTIVE ELECTRONICS SOLUTION PROVIDERS**

#### **Continued increase in electrification**

Despite the rapid development in recent years, the penetration rate of automotive electronic components in domestic automobile market is still low compared to that in developed markets such as Europe, United States and Japan. In addition, the overall assembly rate of electronic components in midrange vehicles is significantly lower than that in luxury cars, which demonstrates strong growth potential in this segment. The increasing demand for more functions implemented by electronic systems is expected to drive the growing application of electronic components in vehicle manufacturing, especially in domestic mass-market vehicles in the future creating enormous market opportunities for automotive electronics solution providers.

#### **Modular production of electronic and other automotive components**

There is a prominent trend of modular production in the automotive industry which is expected to enhance mass production efficiency and reduce manufacturing cost. Under modular production, automotive components are designed and produced independently by professional parties and then integrated in the form of modules, which allows OEMs to achieve economies of scale by efficiently assembling different modules. It is also expected to benefit upstream automotive electronic component suppliers from two aspects: firstly, the mass production from the downstream will primarily drive the increasing demand for automotive electronic components; and secondly, modular production proposes more demanding technology requirements as the designated components are required to match various standards from vehicles of different types or classes, which generates abundant needs for electronic component design and R&D services, and thus allows companies with stronger R&D and innovation capabilities to strengthen their presence in the modular supply system. It also opens up opportunities for automotive electronics solution providers which invest their capital to improve the R&D capability with competitive advantages.

#### **New energy vehicle automotive components**

The main difference between conventional vehicles and NEVs is the usage of semiconductors in the powertrain system. With the fast development of NEV market in China, the competition is getting increasingly fierce. In order to speed up the R&D and production cycle of new products, NEV manufacturers tend to adopt modular production for electronic components through purchasing products from Tier 1 suppliers or using the services of automotive electronics solution providers.

According to Frost & Sullivan, compared to other market players, our advantages in the area of new energy include (i) our in-depth understanding of core technologies of NEVs, such as powertrain systems, battery modules and charging technologies, which are accumulated through early investment in this domain and continuous research and development for a long period; (ii) solid relationship with leading



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## INDUSTRY OVERVIEW

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domestic NEV manufacturers such as BYD, which enables us to continuously research, develop and improve our products based on the newly-emerging needs of OEMs; and (iii) economies of scale and technological improvement in the field of NEVs which allow us to provide electronics solutions in a cost-effective way.

### **Emergence of automated driving**

As the development of the automotive industry is moving in the direction of electrification and intelligent orientation, the future development of the automotive industry will focus on automated driving. With the development of automated driving technology and the expected regulatory environment, automated driving is expected to be realized in the future and the configuration of automated driving function especially in high-end vehicles is expected to increase. Accordingly, the average semiconductor content per car is rapidly rising, which further stimulates the demand for design and R&D services provided by automotive electronics solution providers and presents strong market potential in China.

Advanced driver-assistance systems (ADAS), as a sub-segment of automated driving, are designed mainly to enhance safety by alerting the driver to potential problems, implementing safeguards and even taking over control of the vehicle when detecting potential dangers. It is the application of active safety technology and lays the foundation for intelligent driving and automated driving.

ADAS mainly consists of sensors, chips (with signal processing and data computing chips as its core), and the algorithm software. Currently, the number of chips used in controller and sensors of ADAS ranges from two to seven depending on the safety technology utilized. In the future, with the active safety technology becoming more mature, coupled with the demand for more advanced safety functions from consumers, the number of chips deployed is expected to rise. It is expected that the sales revenue of electronic components used in ADAS and automated driving will reach RMB209.5 billion in 2022 with a CAGR of 28.4% from 2017 to 2022 according to Frost & Sullivan.

How to integrate more functions, increase connections among various functions and improve driving performance on the basis of changing customer needs are the main challenges the ADAS system integrators and carmakers are confronted with. Automotive electronics solution providers are expected to play an increasingly important role in supporting OEMs and their suppliers to implement various ADAS functions by designing tailor-made electronic components and shortening response time to the emerging market opportunities.

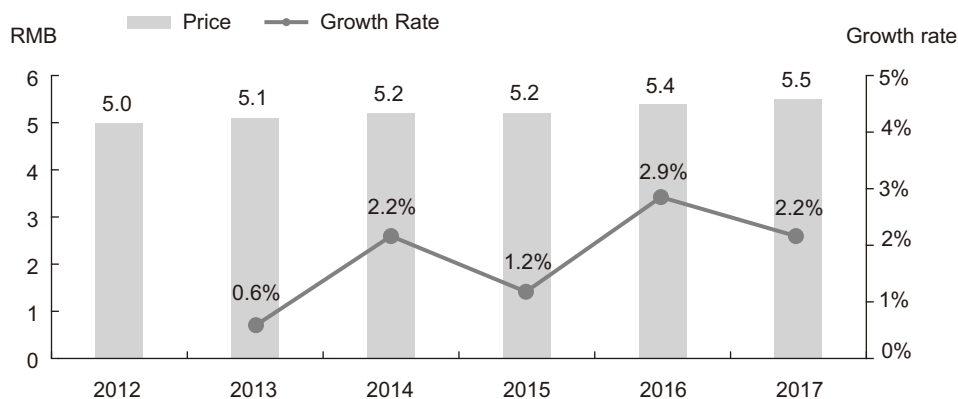
According to Frost & Sullivan, since we have accumulated rich experience in the automotive industry, we have advantages over those new entrants of tech firms in the execution layer of automated driving. Our experience enables us to approach research and development of automated driving systems more systematically than the new entrants. According to Frost & Sullivan, our research and development team puts the vehicle safety as the first priority and considers more on coordination between the different modules of automated driving, and as a result, is more capable of developing automated driving related products and service to meet the market demand. Further, according to Frost & Sullivan, although many tech firms have emerged to capitalize on the great potential of automated driving, the majority of them are still in initial development stage and only a few leading players have gained outstanding technological edges and are capable of delivering products or solutions. OEMs generally place technology capabilities and accumulated knowledge and expertise in automotive industry at high priorities. According to Frost & Sullivan, compared to these tech firms, we have accumulated rich experience in the automotive industry, and our experience enables us to gain advantages over tech firms in the execution layer of automated driving. Compared to other market players, according to Frost & Sullivan, we enjoy several advantages in offering automated driving-related electronics solutions, including (i) experienced technical staffs and extensive research and development experience; (ii) continuous investment in research and development for many years, which enables us to accumulate solid skills and knowledge in the field of automated driving and gain early-mover advantage when compared with our counterparts; (iii) solid partnership with local OEMs, which allows us to have a deep understanding of their needs in terms of automated driving, and to further strengthen cooperation; and (iv) strategic partnership with TTTech, which facilitates us to form a broader insights in the newly-emerging technologies related to automated driving.

## INDUSTRY OVERVIEW

### HISTORICAL PRICE TRENDS

According to Frost & Sullivan, from 2012 to 2017, the average price of chips used in domestically manufactured vehicles saw a stable trend with minor increases in general. There are hundreds of chips being used in the production of a vehicle, and the functions and prices of such chips are different.

#### Historical Average Price of Automotive Chips in China, 2012-2017

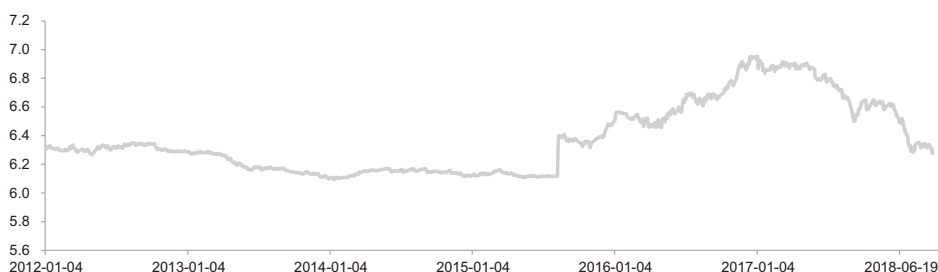


Source: Frost & Sullivan

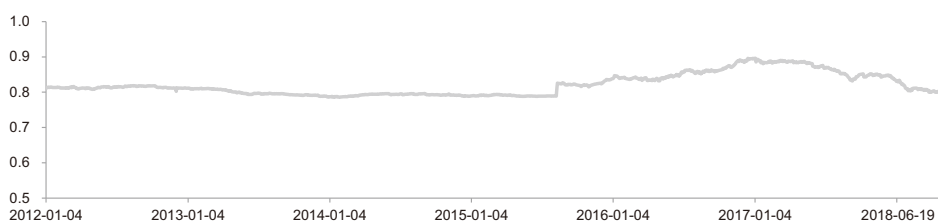
### HISTORICAL EXCHANGE RATE FLUCTUATIONS

The exchange rate of the renminbi against the US dollar demonstrated a modest decline from 2012 to 2015. From August 2015 to 2016, the exchange rate of the renminbi against the US dollar remained a rising momentum. In 2017, it experienced a sharp decline and then stabilized around 6.6. The historical fluctuations in the exchange rate of the renminbi against the Hong Kong dollar is similar to that against the US dollar.

#### The exchange rate of RMB against US\$



#### The exchange rate of RMB against HK\$



Source: the People's Bank of China, Frost & Sullivan

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## REGULATORY OVERVIEW

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*The following is a brief summary of the laws and regulations in the PRC and Hong Kong that currently materially affect the Group and its operations. The principal objective of this summary is to provide potential investors with an overview of the key laws and regulations applicable to us. This summary does not purport to be a comprehensive description of all the laws and regulations applicable to the business and operations of the Group and/or which may be important to potential investors. Investors should note that the following summary is based on laws and regulations in force as at the date of this prospectus, which may be subject to change.*

This section sets out summaries of certain aspects of PRC and Hong Kong laws and regulations, which are relevant to our business operations.

### PRC

The following sets out a summary of the most significant aspects of PRC laws and regulations relating to our Group's business operations in the PRC.

#### PRC Laws and Regulations relating to the Industry

The competent department of industry for the production of automobile components and parts is the MIIT.

In 1994, the National Development Planning Commission (the National Development and Reform Commission, the "NDRC", 國家發展和改革委員會) issued the Industrial Policies for the Automotive Industry (汽車工業產業政策) (the "1994 Automobile Policy") as an overall policy guideline for the automotive industry in the PRC. Although the 1994 Automobile Policy does not have the force of law, it is the cornerstone of the overall regulatory regime of the PRC automotive industry. In 2004, the NDRC issued the Automotive Industry Development Policy (汽車產業發展政策) (which was amended in 2009) to replace the 1994 Automobile Policy.

In addition to the Automotive Industry Development Policy, the General Office of the State Council issued the Restructuring and Rejuvenation Programme of the Automotive Industry (汽車產業調整和振興規劃) in March 2009 (the "Programme"). The Programme affects the development of the automobile and automotive components and parts industries by:

- Fostering the automobile consumption market through tax and other economic means;
- Encouraging the mergers, acquisitions and reorganization of the key manufacturers of automotive components and parts to expand their scale and to increase their share in the domestic and overseas markets;
- Encouraging the development of primary automobile components and parts which could improve the performances of the whole automobile, including anti-slip regulation system, suspension control, digitalized instruments and other electronic control systems;

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## REGULATORY OVERVIEW

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- Implementing automotive product export strategies;
- Accelerating the construction of national export bases for automobiles and automotive components and parts.

### **PRC Laws and Regulations relating to Incorporation, Operation, and Management of Corporate Entities**

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC (中華人民共和國公司法) (the “Company Law”), which was promulgated by the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) (the “SCNPC”) on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013. Pursuant to the Company Law, companies are classified into categories, namely limited liability companies and limited companies by shares. The Company Law shall also apply to foreign-invested limited liability companies and companies limited by shares. According to the Company Law, the provisions otherwise prescribed by the laws on foreign investment shall prevail.

The establishment procedures, approval procedures, registered capital requirement, foreign exchange, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法), which was promulgated on 12 April 1986 and amended on 31 October 2000 and 3 September 2016, and the Implementation Regulations of the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法實施細則), which was promulgated on 12 December 1990 and amended on 12 April 2001 and 19 February 2014, and the Interim Measures for Record-filing Administration of the Establishment and Change of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法), was promulgated on 8 October 2016 and amended on 30 July 2017.

The establishment procedures, approval procedures, registered capital requirement, foreign exchange, accounting practices, taxation and labour matters of a Sino-Foreign equity joint venture enterprise are regulated by the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (中華人民共和國中外合資經營企業法), which was promulgated on 8 July 1979 and amended on 4 April 1990, 15 March 2001 and 3 September 2016, and the Implementation Regulations of the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (中華人民共和國中外合資經營企業法實施條例), which was promulgated on 20 September 1983 and amended on 15 January 1986, 22 July 2001 and 19 February 2014, and the Interim Measures for Record-filing Administration of the Establishment and Change of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法), which was promulgated on 8 October 2016 and amended on 30 July 2017.

Any investments conducted by the foreign investors and foreign enterprises in the PRC shall be subject to the Catalogue for the Guidance of Foreign Investment Industries (外商投資產業指導目錄) (the “Guidance Catalogue”), the latest version of which was promulgated by MOFCOM and the NDRC on 28 June 2017 and came into effect since 28 July 2017. The Guidance Catalogue was divided into the Encouraged

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## REGULATORY OVERVIEW

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Foreign Investment Industries, the Restricted Foreign Investment Industries and the Prohibited Foreign Investment Industries. Industries which are not listed in the Guidance Catalogue shall be classified as the Permitted Foreign Investment Industries. Our business is classified as automobile manufacturing under the Guidance Catalogue and falls within the encouraged industries category.

### **PRC Laws and Regulations relating to the Quality of Product**

The principal legal provisions governing product liability are set out in the Product Quality Law of the PRC (中華人民共和國產品質量法) (the “Product Quality Law”), which was promulgated on 22 February 1993, became effective on 1 September 1993 and amended on 8 July 2000 and 27 August 2009. The Product Quality Law is applicable to all activities of production and sale of any product within the territory of the PRC, and the producers and sellers shall be liable for product quality in accordance with the Product Quality Law.

Pursuant to the Regulations of the PRC on the Administration of Production Licence for Industrial Products (中華人民共和國工業產品生產許可證管理條例) which were promulgated by PRC State Council on 9 July 2005 and came into effect on 1 September 2005, and the Measures for the Implementation of the Regulations of the PRC on the Administration of Production Licence for Industrial Products (中華人民共和國工業產品生產許可證管理條例實施辦法) which were promulgated by the General Administration of Quality Supervision, Inspection and Quarantine (the “AQSIQ”) on 15 September 2005 and came into effect on 1 November 2005 and amended on 21 April 2010 and 21 April 2014, enterprises producing industrial products that may affect production safety and public safety are subject to the requirements of production licences. The Catalogue of Industrial Products Implementing Production Licence (實行生產許可證制度管理的產品目錄) (the “Catalogue of Industrial Products”) which is subject to the system of production licence by PRC State Council shall be formulated, evaluated and adjusted from time to time by AQSIQ together with the relevant departments of PRC State Council after consulting the China Consumers’ Association and industrial associations of the relevant product and social public, and be promulgated to the public after an approval is granted by PRC State Council. Any enterprise or individual that fails to obtain the production licence shall not produce the products listed in the Catalogue of Industrial Products, and no enterprise or individual is allowed to sell or use such products which do not obtain the production licence in operating activities.

### **PRC Laws and Regulations relating to the Importation and Exportation of the Goods**

Pursuant to the Foreign Trade Law of the PRC (中華人民共和國對外貿易法) (the “Foreign Trade Law”), which was promulgated on 12 May 1994 and revised on 6 April 2004 and 7 November 2016, foreign trade dealers engaged in the import and export of goods or technology shall register with the authority responsible for foreign trade under the State Council or its authorized bodies unless the laws and regulations and the authority responsible for foreign trade under the State Council do not require so. Where foreign trade dealers fail to register as required, the customs authority shall not process the procedures of declaration, examination and release of the imported and exported goods.

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## REGULATORY OVERVIEW

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According to the Measures for the Record-keeping and Registration by Foreign Trade Dealers (對外貿易經營者備案登記辦法), which was promulgated on 25 June 2004 and took effect from 1 July 2004 and revised on 18 August 2016, where any foreign trade business operator undertaking the import or export of goods or technology shall go through the record filing and registration process with the MOFCOM or institutions entrusted by the MOFCOM. Those for whom there is no need to make record filing and registration as prescribed by law, administrative regulations and the provisions of the MOFCOM, shall be excluded. In case a foreign trade business operator fails to go through the record filing and registration process according to these Measures, customs shall not handle the formalities for import/export declaration of release.

Pursuant to the Customs Law of the PRC (中華人民共和國海關法) promulgated by the SCNPC on 22 January 1987 and amended on 8 July 2000, 29 June 2013, 28 December 2013, 7 November 2016 and 4 November 2017 unless otherwise stipulated, the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted customs brokers that have registered with the Customs. The consignees and consignors for import or export of goods and the customs brokers engaged in customs declaration shall register with the Customs in accordance with the laws. Pursuant to the Implementing Regulations of the Customs of the PRC on Administrative Penalties (海關行政處罰實施條例), which took effect from 1 November 2004, if the name, tariff serial number, quantity, specification, price, trading category, place of origin, place of shipment, place of arrival, final destination of the import and export goods or other items were omitted or falsely declared, punishment shall be imposed based on the nature of omission or misreporting, and any illegal gains shall be confiscated. If it affects the amount of tax collected by the state government, a fine of 30% up to two times the evaded tax shall be imposed.

Law of the PRC on Imported and Exported Commodities Inspection (中華人民共和國進出口商品檢驗法) was promulgated by the SCNPC on 21 February 1989 and amended on 28 April 2002 and 29 June 2013 and 27 April 2018. The implementation rules (中華人民共和國進出口商品檢驗法實施條例) of this law was latest amended on 1 March 2017. According to the aforesaid relevant laws and regulations, the import and export commodities that are subject to compulsory inspection listed in the catalogue compiled by the State administration shall be inspected by the commodity inspection authorities, and the import and export commodities that are not subject to statutory inspection shall be subject to random inspection. Consignees and consignors themselves or its entrusted agent may apply for inspection to the commodity inspection authorities.

According to the Administrative Provisions for the Registration of Customs Declaration Agents by the PRC Customs Authorities (中華人民共和國海關報關單位註冊登記管理規定), which was promulgated on 13 March 2014 (amended on 20 December 2017 and became effective on 1 February 2018, and further amended on 29 May 2018 and will become effective on 1 July 2018), consignors and consignees of imported and exported goods carry out the customs declaration entity registration formalities with their local Customs in accordance with the applicable provisions. Such consignors and consignees may handle their own customs declarations for their imported and exported goods at any customs port or any locality where customs supervisory affairs are concentrated within the customs territory of the PRC.

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## REGULATORY OVERVIEW

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### Laws and Regulations relating to PRC Taxation

#### *Enterprise Income Tax*

On 16 March 2007, the National People's Congress enacted the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), which became effective as at 1 January 2008 and was amended on 24 February 2017. On 6 December 2007, the State Council enacted the Implementation Rules for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), which also became effective as at 1 January 2008 (collectively, the "EIT Law"). According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with the PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control entity is within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but (i) have entities or premises in China, or (ii) have no entities or premises but have income generated from China. According to the EIT Law, foreign invested enterprises in the PRC are subject to a uniform EIT Rate of 25%. A non-resident enterprise that has an establishment or premises within the PRC shall pay enterprise income tax at a rate of 25% on its income that is derived from such establishment or premises inside the PRC and that is sourced outside the PRC but is actually connected with the said establishment or premises. A non-resident enterprise that has no establishment or premises within the PRC but has income from the PRC, and a non-resident enterprise that has establishment or premises in the PRC but its income has no actual connection to such establishment or premises in the PRC, shall be subject to PRC withholding tax at the rate of 10% on its income sourced from the PRC. High and New Technology Enterprises that require key state support are subject to the reduced EIT Rate of 15%.

The Circular on Improving the Policy on Extra Pre-tax Deduction of Research and Development Expenses (關於完善研究開發費用稅前加計扣除政策的通知) was promulgated by the State Administration of Taxation, the Ministry of Finance, and the Ministry of Science and Technology on 2 November 2015, and came into effect on 1 January 2016. Where the research and development expenses that are actually incurred in the research and development activities of enterprises and do not constitute intangible assets are recorded into the current profit or loss, such expenses shall be deducted from the taxable income for the current year at 50% of the actual amount incurred in the current year and on an actual basis as required; if intangible assets are constituted, such expenses shall be amortized at 150% of the costs of the intangible assets before tax.

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## REGULATORY OVERVIEW

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### ***Dividend Tax***

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知), which was promulgated by the SAT and became effective on 20 February 2009, all of the following requirements shall be satisfied in order to enjoy the preferential tax rates provided under the tax agreements:

- the tax resident that receives dividends should be a company as provided in the tax agreement;
- the equity interests and voting shares of the PRC resident company directly owned by the tax resident reaches the percentages specified in the tax agreement; and
- the equity interests of the Chinese resident company directly owned by such tax resident at any time during the 12 months prior to receiving the dividends reach a percentage specified in the tax agreement.

Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion on income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) a PRC resident enterprise which distributes dividends to its Hong Kong shareholders must pay income tax according to the PRC law. However, if the beneficial owner of the dividends is a Hong Kong resident enterprise that directly holds no less than 25% equity interests of the aforesaid enterprise (i.e., the dividend distributor), the distributed dividends may be subject to a reduced tax rate of 5%. If the beneficial owner is a Hong Kong resident enterprise, which directly holds less than 25% equity interests of the aforesaid enterprise, the tax levied will be 10% of the distributed dividends. Announcement of the State Administration of Taxation on Issues Relating to “Beneficial Owner” in Tax Treaties (國家稅務總局關於稅收協定中「受益所有人」有關問題的公告) has stipulated some factors for the determination of a “Beneficial Owner”.

On 27 August 2015, the SAT promulgated the Announcement on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (國家稅務總局關於發佈非居民納稅人享受稅收協定待遇管理辦法的公告), which became effective on 1 November 2015, and was amended on 15 June 2018, which was also the effective date. Under the Announcement on Promulgating the Administrative Measures for Tax Convention Treatment for Nonresident Taxpayers, any non-resident taxpayer meeting conditions for enjoying the convention treatment may be entitled to the convention treatment itself/himself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities. Such taxpayers who make their own declaration shall self-assess whether they are entitled to tax treaty benefits, make truthful declaration and submit the relevant reports, statements and materials required by the relevant tax authorities.



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## REGULATORY OVERVIEW

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### ***Value-added Tax***

All entities and individuals engaged in the sales of goods, provision of processing, repairs and replacement services, and the importation of goods within the territory of the PRC shall pay value-added tax (VAT) in accordance with the Provisional Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) (the “Provisional Regulations on VAT”) and its implementation rules. The Provisional Regulations on VAT was promulgated by the State Council which became effective on 1 January 1994 and subsequently amended on 10 November 2008, 6 February 2016 and 19 November 2017. Pursuant to the Provisional Regulations on VAT and its implementation rules, VAT payable is calculated as “output VAT” minus “input VAT”. The rate of VAT is 17% or 11% or 6% in certain limited circumstances depending on the product type.

In accordance with Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-added Tax in Lieu of Business Tax (關於全面推開營業稅改征增值稅試點的通知), which was promulgated on 23 March 2016 and with effect from 1 May 2016, upon approval of the State Council, the pilot programme of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner as at 1 May 2016, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot programme with regard to payment of value-added tax instead of business tax.

### **Laws and Regulations relating to Foreign Exchange**

The principal law governing foreign currency exchange in the PRC is the Foreign Exchange Administration Regulations (中華人民共和國外匯管理條例). The Foreign Exchange Administration Regulations was enacted by the State Council on 29 January 1996 and implemented on 1 April 1996. On 14 January 1997 and 5 August 2008, the State Council amended the Foreign Exchange Administration Regulations. According to the Foreign Exchange Administration Regulations currently in effect, international payments in foreign currencies and transfer of foreign currencies under current items shall not be restricted. Foreign currency transactions under the capital account are still subject to limitations and require approvals from, or registration with, the SAFE and other relevant PRC governmental authorities.

Pursuant to the Regulation of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定), promulgated on 20 June 1996 by the PBOC and which became effective on 1 July 1996, the Foreign-Invested Enterprises (the “FIE”), may only buy, sell or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial supporting documents and, in the case of capital account item transactions, obtaining approvals from the SAFE.

On 29 August 2008, the SAFE promulgated the Notice of the General Affairs Department of the SAFE on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知) (the “SAFE Circular 142”) regulating

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## REGULATORY OVERVIEW

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the conversion by a foreign-invested enterprise of its foreign currency registered capital into renminbi. The SAFE Circular 142 provides that the renminbi fund converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC. The use of such renminbi fund may not be altered without approval, and such renminbi fund may not in any case be used to repay any renminbi loans that were taken out but that have not been utilized. Violations of the SAFE Circular 142 could result in severe monetary penalties. On 30 March 2015, the SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (the “SAFE Circular 19”), which became effective on 1 June 2015 and replaced the SAFE Circular 142. Under the SAFE Circular 19, the restriction is abolished that the using the renminbi fund converted from foreign currency registered capital of a foreign-invested enterprise for equity investments within the PRC. Meanwhile, the use of such renminbi should still obey the restrictions as set out in this circular, such as it cannot be directly or indirectly used for payment beyond the business scope of the enterprises or the payment prohibited by national laws and regulations; investment in securities unless otherwise provided by laws and regulations; granting the entrust loans in renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in renminbi that have been sub-lent to the third party; and paying the expenses related to the purchase of real estate not for self-use, except for the foreign-invested real estate enterprises. On 9 June 2016, the SAFE promulgated the Circular of SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知). This Circular shall come into force as at the date of promulgation. Where the previous provisions, such as the SAFE Circular 19 are not consistent with this Circular, the latter shall prevail.

### **Laws and Regulations relating to Intellectual Property**

#### ***Overview of trademark administration***

The Trademark Law of the PRC (中華人民共和國商標法) (Order No. 6 of the President, effective from 1 March 1983 and amended on 22 February 1993, 27 October 2001 and 30 August 2013 and came into effect on 1 May 2014) and Regulation for the Implementation of Trademark Law of the PRC (中華人民共和國商標法實施條例) (Order No. 651 of the State Council, effective from 15 September 2002 and amended on 29 April 2014 and came into effect on 1 May 2014) provides that the Trademark Office of the State Administration for Industry and Commerce (the “Trademark Office”) shall be responsible for the registration and administration of trademarks throughout the country and the Trademark Review and Adjudication Board of the State Administration for Industry and Commerce under the State Council shall be responsible for handling trademark disputes.

Registered trademarks refer to trademarks that have been approved and registered by the Trademark Office, which include commodity trademarks, service trademarks, collective marks and certification marks. The trademark registrant shall enjoy an exclusive right to use the trademark, which shall be protected by laws and

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## REGULATORY OVERVIEW

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regulations. Any visible mark in the form of word, graphic, alphabet, number, 3D (three-dimension) mark, colour combination or the combination of these elements that can distinguish the commodities of the natural person, legal person or other organizations from those of others can be registered as a trademark. Trademark for which an application is filed for registration shall be as distinctive as to be distinguishable, and shall not go against the legitimate right previously obtained by others. A trademark registrant is entitled to tag the words “Registered Trademark” or a sign indicating that it is registered.

Any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark: (1) using a trademark which is identical to a registered trademark on the same kind of commodities without a licence from the registrant of the registered trademark; (2) using a trademark which is similar to a registered trademark on the same kind of commodities, or using a trademark that is identical or similar to the registered trademark on similar goods without a licence from the registrant of the registered trademark, which is likely to cause confusion; (3) selling commodities that infringe upon the right to exclusive use of a registered trademark; (4) counterfeit or unauthorized production of the label of another’s registered trademark, or sale of any such label that is counterfeited or produced without authorization; (5) changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of the registered trademark; (6) providing, intentionally, convenience for activities infringing upon others’ exclusive right of trademark use, and facilitating others to commit infringement on the exclusive right of trademark use; or (7) causing other damage to the right to exclusive use of a holder of a registered trademark. In the event of infringement of the registered trademark above that leads to disputes, the parties concerned shall settle such disputes through negotiations; where no negotiation is prospective or fails, the trademark registrant or any interested party may file a lawsuit before the People’s Court or request the administrative department for industry and commerce for handling.

### ***Patent Law***

Patents in the PRC are mainly protected under the Patent Law of the PRC (中華人民共和國專利法), which was promulgated by the SCNPC on 12 March 1984 and amended on 4 September 1992, 25 August 2000 and 27 December 2008, and its implementation rules (中華人民共和國專利法實施細則), which was promulgated by the State Council on 15 June 2001 and amended on 28 December 2002 and 9 January 2010. The Patent Law of the PRC and its implementation rules provide for three types of patents, “invention”, “utility model” and “design”. “Invention” refers to any new technical solution relating to a product, a process or improvement thereof; “utility model” refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; and “design” refers to any new design of the shape, pattern, colour or the combination of any two of them, of a product, which creates an aesthetic feeling and is suitable for industrial application. The duration of a patent right for “invention” is 20 years, and the duration of a patent right for “utility model” or “design” is 10 years, from the date of application.

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## REGULATORY OVERVIEW

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In the event that a dispute arises due to a patent being exploited without the prior authorization of the patentee, that is to say an infringement upon the patent right of the patentee, then it shall be settled through consultation involving both parties. In the event that one or both parties are unwilling to submit to consultation, or if the consultation fails, then the patentee or any interested party may initiate legal proceedings in the People's Court, or request the patent administrative department to handle the matter.

In the event that the patent administrative department, when handling the matter, believes the infringement is established, it may order the infringing party to cease the infringement with immediate effect. If the infringing party is not satisfied with the ruling, it may, within 15 days from the date of receiving the notification of the order, initiate legal proceedings in the People's Court in accordance with the Law of the People's Republic of China on Administrative Proceedings. If the infringing party neither takes legal action at the expiration of the time limit nor ceases the infringement, the patent administrative department may request from the People's Court a compulsory execution of the aforementioned order. The patent administrative department may, upon the request of both or either of the parties, conduct mediation in respect of the amount of compensation for the damage caused by the infringement upon the patent right. If the mediation fails, the parties may initiate legal proceedings in the People's Court in accordance with the Civil Procedure Law of the People's Republic of China.

### ***Domain names***

The Administrative Measures for Internet Domain Names (互聯網域名管理辦法) (the "Domain Name Measures") were promulgated by the MIIT on 24 August 2017, and came into effect on 1 November 2017. The Domain Name Measures regulate efforts to undertake internet domain name services as well as the operation, maintenance, supervision and administration thereof and other relevant activities within the territory of the PRC. Any party that has domain name root servers, and the institution for operating domain name root servers, the domain name registry and the domain name registrar within the territory of China shall obtain a permit for this purpose from the MIIT or the communications administration of the local province, autonomous region or municipality directly under the Central Government. In case anyone establishes any domain name root server and any institution for operating the domain name root servers, domain name registry or domain name registrar without permission, the telecommunications authority shall take measures to stop its practices in accordance with the provisions of Article 81 of the Administrative Licensing Law of the People's Republic of China (中華人民共和國行政許可法), and give it a warning or impose a fine of more than RMB10,000 but less than RMB30,000 depending on the seriousness of the case.

### ***Copyright***

The Copyright Law of the People's Republic of China (中華人民共和國著作權法) was promulgated by the SCNPC on 7 September 1990, and was amended on 27 October 2001 and 26 February 2010, which came into effect on 1 April 2010. Works of Chinese citizens, legal persons or other organizations, whether published or not, enjoy copyright under this Law. The term "copyright" shall include the following personal rights and property rights: (1) the right of publication, i.e. the right

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## REGULATORY OVERVIEW

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to decide whether or not to make a work available to the public; (2) the right of authorship, i.e. the right to affix one's name to a work to indicate the author's identity; (3) the right of revision, i.e. the right to revise or authorize others to revise one's work; (4) the right of integrity, i.e. the right to protect one's work against misrepresentation and distortion; (5) the right of reproduction, i.e. the right to make one or more copies of one's work through such means as printing, photocopying, rubbing, making an audio recording, making a video recording, duplicating a recording, reproducing by photographic or cinematographic means, etc.; (6) the right of distribution, i.e. the right to provide the original or reproduction of one's work to the public by means of sale or gift; (7) the right of rent, i.e. the right to permit others to temporarily use one's cinematographic work, work created by a process analogous to cinematography or computer software for consideration, except where the computer software itself is not the essential object of the rental arrangement; and (8) other rights to which a copyright owner is entitled. An author's rights of attribution, revision and integrity shall continue in perpetuity.

The Regulations on the Protection of Computer Software (計算機軟件保護條例), promulgated on 20 December 2001 and amended on 8 January 2011 and 30 January 2013 and came into force on 1 March 2013, protects the rights and interests of the computer software copyright holders and encourages the development of software industry and information economy. In the PRC, software developed by Chinese citizens, legal persons or other organizations are automatically protected immediately after its development, whether published or not. A software copyright owner may register with the software registration institution recognized by the copyright administration department of the State Council. A registration certificate issued by the software registration institution is a preliminary proof of the registered items. On 20 February 2002, the National Copyright Administration of the PRC promulgated the Measures for the Registration of Computer Software Copyright (計算機軟件著作權登記辦法), which came into force on the date of promulgation and outline the operational procedures for registration of software copyright, as well as registration of software copyright licence and transfer contracts. The Copyright Protection Centre of the PRC is mandated as the software registration agency under the regulations.

### **Laws and Regulations relating to Labour and Safety**

Pursuant to the Labour Law of the PRC (中華人民共和國勞動法), which was promulgated on 5 July 1994 and revised on 27 August 2009, and the Labour Contract Law of the PRC (中華人民共和國勞動合同法), which became effective on 1 January 2008 and was amended on 28 December 2012, labour contracts shall be concluded in writing if labour relationships are to be or have been established between enterprises or entities on one hand and the labourers on the other hand.

The PRC Employment Promotion Law (中華人民共和國就業促進法), which became effective on 1 January 2008 and was amended on 24 April 2015, requires that individuals have equal employment opportunities, both in hiring and in employment terms, without discrimination on the basis of ethnicity, race, gender, religious belief, communicable disease or rural residence. Under this law, enterprises are also required to provide employees with vocational training. Administrative authorities at the county level or above are responsible for implementing policies to promote employment.

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## REGULATORY OVERVIEW

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As required under the Regulation of Insurance for Labour Injury (工傷保險條例), amended on 20 December 2010 and came into effect on 1 January 2011, the Provisional Measures for Maternity Insurance of Employees of Corporations (企業職工生育保險試行辦法), implemented on 1 January 1995, the Decisions on the Establishment of a Unified Programme for Old-Aged Pension Insurance of the State Council (國務院關於建立統一的企業職工基本養老保險制度的決定), issued on 16 July 1997, the Decisions on the Establishment of the Medical Insurance Programme for Urban Workers of the State Council (國務院關於建立城鎮職工基本醫療保險制度的決定), promulgated on 14 December 1998, the Unemployment Insurance Measures (失業保險條例), promulgated on 22 January 1999, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費征繳暫行條例), promulgated on 22 January 1999, the Interim Provisions on Registration of Social Insurance (社會保險登記管理暫行辦法), promulgated on 19 March 1999, and the Social Insurance Law of the PRC (中華人民共和國社會保險法), implemented on 1 July 2011, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labour injury insurance and medical insurance. Enterprises must apply for social insurance registration with local social insurance agencies and pay premiums for their employees. If an enterprise fails to pay the required premiums on time or in full amount, the authorities in charge will demand the enterprise to settle the overdue amount within a stipulated time period and impose a daily overdue fine equivalent to 0.05% of the overdue amount. If the overdue amount is still not settled within the stipulated time period, an additional fine with an amount of one to three times the overdue amount will be imposed.

Pursuant to the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例), which became effective on 3 April 1999, as amended on 24 March 2002, a unit (including a foreign investment enterprise) shall undertake the registration with the administrative centre of housing provident funds and pay the funds for their staff. If an employer, in violation of the aforesaid regulations, fails to undertake registration or to open the housing provident funds account for its employees, the administrative centre of housing provident funds will impose an order for completion within prescribed time limit; if such employer further fails to process within the aforesaid time limit, a fine ranging from RMB10,000 to RMB50,000 will be imposed. On the other hand, if a unit, in violation of the aforesaid regulations, fails to pay or to fully pay the housing provident funds, the administrative centre of housing provident funds will impose an order for payment within a prescribed time limit; if such unit further fails to make payment within the aforesaid time limit, the centre shall have the right to apply for compulsory enforcement in court.

We are also subject to safety laws and regulations in the PRC including the PRC Production Safety Law (中華人民共和國安全生產法) (the “PRC Production Safety Law”), which became effective on 1 November 2002 and amended on 31 August 2014. The PRC Production Safety Law requires us to maintain safe production conditions as provided in it and other relevant laws, administrative regulations, national standards and industrial standards. Any entity that is not sufficiently equipped to ensure safe production may not engage in production and business operation activities. We are required to offer education and training programmes to our employees regarding production safety. In order to comply with applicable national or industrial standards, the design, manufacture, installation, use, checking and maintenance of our safety equipment is required. In addition, we are required to provide our employees with labour protection equipment that meet the national or industrial standards and to supervise and educate them to wear or use such equipment according to the prescribed rules.

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## REGULATORY OVERVIEW

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### The M&A Rules

On 8 August 2006, MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council (國有資產監督管理委員會), the State Administration of Taxation (國家稅務總局), the State Administration of Industry and Commerce (國家工商行政管理總局), the China Securities Regulatory Commission (中國證券監督管理委員會) and SAFE jointly issued the Rules on the Acquisition of Domestic Enterprises by Foreign Investors (as amended, re-promulgated and effective on 22 June 2009) (關於外國投資者並購境內企業的規定) (the “M&A Rules”). According to the M&A Rules, the merger and acquisition of the domestic companies by foreign investors means that the foreign investors purchase or subscribe for the equity or shares of a non-foreign invested PRC company or that the foreign investors establish a foreign invested PRC company to acquire or operate the assets of a non-foreign-invested PRC company by agreement. The M&A Rules require that an application be made to MOFCOM for examination and approval in relation to the acquisition of any company inside China affiliated with a domestic company, enterprise or natural person, which is made in the name of an overseas company lawfully established or controlled by such domestic company, enterprise or natural person. The M&A Rules also provide that the overseas listing of a special purpose company controlled directly or indirectly by PRC companies or individuals on an overseas stock market must be approved by the China Securities Regulatory Committee.

As advised by our PRC Legal Advisers, since Mr Luk and Mr Chan, our ultimate controlling shareholders, are non-PRC residents, the Reorganization and the Listing do not require the approval of the MOFCOM and the China Securities Regulatory Commission.

### HONG KONG

The following sets out a summary of the material aspects of Hong Kong laws and regulations relating to our Group’s business operations in Hong Kong.

#### **Laws and regulations on advertising and promotion practices**

##### ***Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong)***

Hong Kong does not have any specific legislation regulating advertising and promotion practices. There are, however, a number of ordinances and regulations implemented regulating advertising and promotion of products and services. One of the relevant legislations is the Trade Descriptions Ordinance, which relates to our operations in Hong Kong covering sale of electronics solutions and components.

The Trade Descriptions Ordinance prohibits vendors from providing false trade descriptions, false, misleading or incomplete information and false marks and misstatements in respect of goods provided in the course of trade. It is an offence to apply a false trade description to any goods, or supply any goods to which a false trade description is applied, or possess for sale, trade or manufacture any goods to which a false trade description is applied. False and misleading trade descriptions of products in advertisements are also prohibited.

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## REGULATORY OVERVIEW

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### **Laws and regulations on employment and related matters**

#### ***Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)***

Our Group provides retirement benefits for its employees under the Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the said ordinance, except for exempt persons, employees (full-time and part-time) and self-employed persons who are at least 18 but under 65 years of age are required to join an MPF Scheme.

Under the MPF Scheme, both the employer and each of its employees are each required to make contributions to the plan at 5% of the employee’s relevant income, subject to a monthly relevant income cap of HK\$30,000 for employers and a monthly relevant income cap of the minimum of HK\$7,100 and the maximum HK\$30,000 for employees. Where the employee’s income exceeds HK\$30,000, both the employer and employee shall contribute a monthly sum of HK\$1,500 to the plan. This contribution amount will immediately be vested in the employee as his/her accrued benefits under the MPF Scheme.

Employers found to have evaded payment of MPF contributions, deducted employer contributions from an employee’s pay, or failed to enrol their employees to an MPF Scheme, may be liable to a financial penalty and potential criminal prosecution.

#### ***Employment Ordinance (Chapter 57 of the Laws of Hong Kong)***

Our Group employs a certain number of employees in Hong Kong. The Employment Ordinance provides for the protection of the wages of employees, regulates general conditions of employment and employment agencies, and for matters connected therewith.

Under the said ordinance, employees who are employed under a continuous contract are entitled to additional benefits including but not limited to rest days, paid annual leave, sickness allowance, severance payment and long service payment.

Where an employer, wilfully and without reasonable excuse, fails to pay wages to an employee when it becomes due, or fails to pay interest on the outstanding amount of wages to the employee, it is liable on conviction to a fine and imprisonment. An employer, being no longer able to pay wages due, should terminate the contract of employment in accordance with the terms thereof.

#### ***Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)***

The Employees’ Compensation Ordinance regulates the payment of compensation to our employees who are injured in the course of their employment. Under the said ordinance, an employer must be in possession of a valid insurance policy to cover his liabilities both under the said ordinance and at common law for the work injuries of his employees, irrespective of the length of employment contract or working hours, full-time or part-time employment. An employer who fails to secure insurance cover commits an offence and is liable on conviction to a fine and imprisonment.



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## REGULATORY OVERVIEW

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### ***Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) and Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong)***

The Occupational Safety and Health Ordinance aims at ensuring the safety and health of our employees when they are at work. Under the said ordinance, an employer must ensure the safety and health of his workplace by (i) providing and maintaining plant and work systems that are safe and without risks to health; (ii) making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances; (iii) providing all necessary information, instruction, training and supervision for ensuring safety and health; (iv) providing and maintaining safe access to and egress from the workplace; and (v) providing and maintaining a safe and healthy work environment. An employer who fails to comply with the above, either intentionally, knowingly or recklessly, may be liable on conviction to a fine and imprisonment.

### **Laws and regulations on general business matters**

#### ***Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)***

Our Group maintains ongoing business operations in Hong Kong, which are subject to the Business Registration Ordinance. The said ordinance provides that, unless specifically exempted, every person carrying on business in Hong Kong must register his business with the Business Registration Office of the Inland Revenue Department. "Business" refers to any form of trade, commerce, craftsmanship, profession, calling or other activities carried on for the purpose of gain. Every company incorporated in Hong Kong or non-Hong Kong company registered under the Hong Kong Companies Ordinance is deemed to be a person carrying on business and is required to be registered under the said ordinance. Besides, every non-Hong Kong corporation that has a representative or liaison office in Hong Kong, or has let out its property situated in Hong Kong is likewise required to be registered. In general, an application for business registration must be made within one month of the commencement of business. The valid business/branch registration certificate must be displayed in a conspicuous place at the address where the business/branch is carried on and should be produced for official inspection on demand.

#### ***Import and Export (Registration) Regulations***

Every person (including us which operates in trading activities in Hong Kong) who imports, exports or re-exports any article other than an exempted article shall lodge with the Commissioner of Customs and Excise (the "Commissioner") an accurate and complete import or export declaration relating to such article using services provided by a specified body, in accordance with the requirements the Commissioner may specify. Every such declaration required to be lodged shall be lodged within 14 days after the importation or exportation of the article to which it relates. Any person who, in contravention thereof, (i) knowingly or recklessly lodges any declaration with the Commissioner that is inaccurate in any material particular or (ii) fails or neglects, without reasonable excuse, to do so using services provided by a specified body within the said 14-day period or, where he has such excuse, fails or neglects to lodge such declaration in such manner as soon as is practicable after the cessation of such excuse, commits an offence and is liable on summary conviction to a fine.

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## HISTORY AND DEVELOPMENT

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### ESTABLISHMENT AND DEVELOPMENT OF OUR GROUP

#### Introduction

Our Group was founded in January 2001 by both Mr Luk and Mr Chan in Hong Kong by the incorporation of Intron HK. Shortly thereafter, our Group formally moved into the Greater China market in February 2001 upon the establishment of Shanghai Intron. Over the past years, with the set-up of a number of subsidiaries and branch offices, we have made a gradual expansion of our operational presence to cover various parts of Greater China.

The following sets out our material development milestones:

<u>Year</u>	<u>Event</u>
2001	Our Group was founded in Hong Kong and our Shanghai office was set up
2002	We established our research and development centre in Shanghai
2005	We began our business relationship with Infineon
2009	We ventured into the development of the motor control unit (MCU) which is one of our first solutions for use in new energy vehicles
2010	Shanghai Intron was first recognized as a High and New Technology Enterprise
2011	G-Pulse was first recognized as a High and New Technology Enterprise
2014	We established cooperation relationship with TTTech, and began to support local customers with their development
2015	Shanghai Intron was awarded grants from the “Growing Giant of Technology” fund
2016	We were recognized as a “Leading ATV Demand Creation Performance Distribution Partner” by Infineon
2017	G-Pulse’s new energy vehicle powertrain inverter solution successfully passed the ISO 26262 functional safety technical assessment by TÜV SÜD

In preparation for the Listing, our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 3 January 2017 as the Listing vehicle. Pursuant to the Reorganization commenced in October 2016 and as more particularly described in “Reorganization — Detailed Steps”, our Company became the holding company of our Group and our Company held, through Intron HK, the shareholding in each of our six subsidiaries in Hong Kong and the PRC.

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## HISTORY AND DEVELOPMENT

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The following sets out the changes in the shareholding composition of our Company and its subsidiaries which are material to the Group's performance during the Track Record Period.

### **Our Company**

Our Company was incorporated on 3 January 2017 as an exempted company in the Cayman Islands.

As a result of the Reorganization and prior to completion of the Global Offering, our Company became the holding company of our Group. Immediately following the Reorganization, the entire issued share capital of our Company was held by Magnate Era (as to 70.0%), Zenith Benefit (as to 10.0%), Treasure Map (as to 10.0%) and Heroic Mind (as to 10.0%). For further details, see "Reorganization — Detailed Steps". The principal business of our Company is investment holding.

### **Our subsidiaries in Hong Kong**

#### ***Intron HK***

Intron HK was incorporated on 5 January 2001 in Hong Kong with a total issued share capital of HK\$2.00 divided into two shares of HK\$1.00 each, which were held by Mr Luk and Mr Chan in equal shares. Since its incorporation, the share capital of Intron HK underwent several changes and as at the commencement of the Track Record Period, Mr Luk and Mr Chan remained as the only two shareholders of Intron HK with each holding 3,750,000 issued shares of Intron HK.

#### ***Evertronics***

Evertronics was incorporated on 6 August 2009 in Hong Kong with a total issued share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, of which 8,500 and 1,500 shares were respectively held by SFT HK and Intron HK. SFT HK is a company wholly owned by Mr Chen Wenyuan, a former director of Evertronics, and hence is a connected person of our Company. Mr Chen Wenyuan ceased to be a director of Evertronics on 29 December 2017.

On 9 March 2012, SFT HK transferred 6,500 shares in Evertronics to Intron HK for a consideration of HK\$6,500 which was fully settled by Intron HK on the same date. Following the above share transfer, Evertronics became a subsidiary of Intron HK and was owned as to 80.0% by Intron HK and 20.0% by SFT HK.

### **Our subsidiaries in the PRC**

#### ***Intron China***

Intron China was established by Intron HK in the PRC on 10 February 2017 as a wholly foreign-owned enterprise with an initial registered capital of US\$3,000,000, out of which US\$300,095 was confirmed to have been paid up. According to its articles of association, the unpaid registered capital of Intron China shall be paid up within ten years from the date of its establishment. Intron China has remained wholly owned by Intron HK since the date of its establishment.

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## HISTORY AND DEVELOPMENT

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### ***Shanghai Intron***

Shanghai Intron was established on 14 February 2001 in the PRC as a limited liability company with an initial registered capital of RMB1,000,000. At the time of its establishment, Shanghai Intron was owned as to 85% by Lu Peixi, father of Mr Luk as nominee for and on behalf of Mr Luk under the Luk's Nominee Arrangement, and 15% by two independent third parties by their contributions in cash to the registered capital of Shanghai Intron according to their respective portions.

Subsequent to its establishment, Shanghai Intron underwent several changes to its ownership structure. As at the commencement of the Track Record Period, Shanghai Intron was held as to 50.0% by Lu Peixi (father of Mr Luk) and 50.0% by Zhang Hui (spouse of Mr Chan) under the Nominee Arrangements. The registered capital of Shanghai Intron had been increased to RMB10 million and the increase was contributed by Lu Peixi and Zhang Hui (as nominee for and on behalf of Mr Luk and Mr Chan respectively) by cash and transfer of certain intellectual property rights to Shanghai Intron. The registered capital of Shanghai Intron had been fully and legally settled by 31 July 2013.

### ***G-Pulse***

G-Pulse was established on 4 August 1999 by three independent third parties as a limited liability company in the PRC with an initial registered capital of RMB1,000,000. In July 2007, Lu Peixi and Zhang Hui (as nominee for and on behalf of Mr Luk and Mr Chan, respectively under the Nominee Arrangements) acquired the entire equity interest of G-Pulse from the then equity holders of G-Pulse who are independent third parties for an aggregate cash consideration of RMB1,200,000, which represents the amount of the registered capital of G-Pulse at that time. The consideration was determined through arm's-length negotiations between the parties with reference to the amount of the then registered capital of G-Pulse. Following the acquisition, G-Pulse was owned by Lu Peixi and Zhang Hui (as nominees of Mr Luk and Mr Chan, respectively) in equal shares.

On 28 January 2016, the registered capital of G-Pulse was increased to RMB10,000,000 following the contribution of an aggregate of RMB8,800,000 in cash by Shanghai Intron. The increase in registered capital had been fully and legally settled by 18 April 2016.

### ***Guangzhou Intron***

Guangzhou Intron was established on 3 February 2005 in the PRC as a limited liability company with an initial registered capital of RMB1,000,000. At the time of its establishment, Guangzhou Intron was owned as to 60.0% by Shanghai Intron and 40.0% by Shanghai Maibang by their contributions in cash to the registered capital of Guangzhou Intron according to their respective portions. Shanghai Maibang is owned in equal shares by Lu Peixi and Zhang Hui as nominees for and on behalf of Mr Luk and Mr Chan, respectively. As Shanghai Maibang is beneficially owned by Mr Luk and Mr Chan, Shanghai Maibang is a connected person of our Company.

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## HISTORY AND DEVELOPMENT

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### **Beijing G-Pulse**

Beijing G-Pulse was established by G-Pulse on 9 November 2016 as a limited liability company in the PRC with an initial registered capital of RMB10,000,000, out of which RMB1,500,000 had been fully and legally paid up as at the Latest Practicable Date whilst the balance is required to be paid up by December 2020 in accordance to the articles of association of Beijing G-Pulse. Beijing G-Pulse has remained wholly owned by G-Pulse since the date of its establishment.

### **NOMINEE ARRANGEMENTS**

#### **Luk's Nominee Arrangement**

Prior to the Reorganization, solely for administrative convenience and cost-saving purposes, Mr Luk and his father, Lu Peixi had entered into certain family arrangements whereby it was agreed that, among other matters, (i) Lu Peixi would hold the entire equity interests that he held in Shanghai Intron unconditionally and for nil consideration in the capacity of nominee for the benefit of Mr Luk from 14 February 2001 (being the date of establishment of Shanghai Intron); (ii) Lu Peixi would hold the entire equity interests that he held, through Shanghai Intron and/or G-Pulse, in Guangzhou Intron and Beijing G-Pulse unconditionally and for nil consideration in the capacity of nominee for the benefit of Mr Luk from 3 February 2005 and 9 November 2016 (being the dates of establishment of Guangzhou Intron and Beijing G-Pulse, respectively); (iii) Lu Peixi would hold the entire equity interests that he held in G-Pulse unconditionally and for nil consideration in the capacity of nominee for the benefit of Mr Luk from April 2005; and (iv) for the purpose of assumption of directorship power with the relevant subsidiaries of our Group, Lu Peixi would seek directions and obtain consent from Mr Luk prior to any exercise of his rights and/or powers as a director over various aspects of enterprise management including decision-making on the board. The above nominee arrangements with respect to the interest in Shanghai Intron (and, accordingly, Guangzhou Intron and Beijing G-Pulse) ended when Lu Peixi transferred his equity interests in Shanghai Intron to Intron China on 22 February 2018 and with respect to the interest in G-Pulse ended when Lu Peixi transferred his equity interests in G-Pulse to Shanghai Intron on 7 February 2017 as part of the Reorganization. Mr Luk and Lu Peixi have confirmed the above arrangements in a letter of confirmation dated 25 February 2018 signed by both of them.

#### **Chan's Nominee Arrangement**

Prior to the Reorganization, solely for administrative convenience and cost-saving purposes, Mr Chan and his spouse, Zhang Hui had entered into certain family arrangements whereby it was agreed that, among other matters, (i) Zhang Hui would hold the entire equity interests that she held in Shanghai Intron unconditionally and for nil consideration in the capacity of nominee for the benefit of Mr Chan from 18 November 2004 (being the date on which Zhang Hui became the registered equity holder of Shanghai Intron); (ii) Zhang Hui would hold the entire equity interests that she held, through Shanghai Intron and/or G-Pulse, in Guangzhou Intron and Beijing G-Pulse unconditionally and for nil consideration in the capacity of nominee for the benefit of Mr Chan from 3 February 2005 and 9 November 2016 (being the dates of

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## HISTORY AND DEVELOPMENT

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establishment of Guangzhou Intron and Beijing G-Pulse, respectively); (iii) Zhang Hui would hold the entire equity interests that she held in G-Pulse unconditionally and for nil consideration in the capacity of nominee for the benefit of Mr Chan from April 2005; and (iv) for the purpose of assumption of directorship power with the relevant subsidiaries of our Group, Zhang Hui would seek directions and obtain consent from Mr Chan prior to any exercise of her rights and/or powers as a director over various aspects of enterprise management including decision-making on the board. The above nominee arrangement with respect to the interest in Shanghai Intron (and, accordingly, Guangzhou Intron and Beijing G-Pulse) ended when Zhang Hui transferred her equity interests in Shanghai Intron to Intron China on 22 February 2018, and with respect to the interest in G-Pulse ended when Zhang Hui transferred her equity interests in G-Pulse to Shanghai Intron on 7 February 2017 as part of the Reorganization. Mr Chan and Zhang Hui have confirmed the above arrangements in a letter of confirmation dated 25 February 2018 signed by both of them.

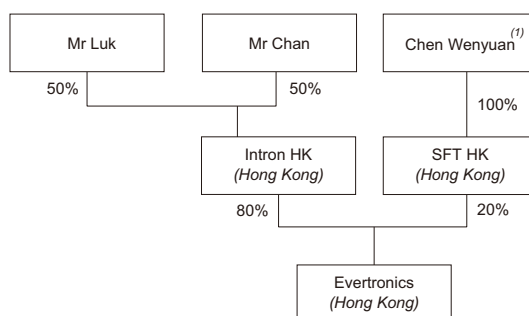
# REORGANIZATION

## INTRODUCTION

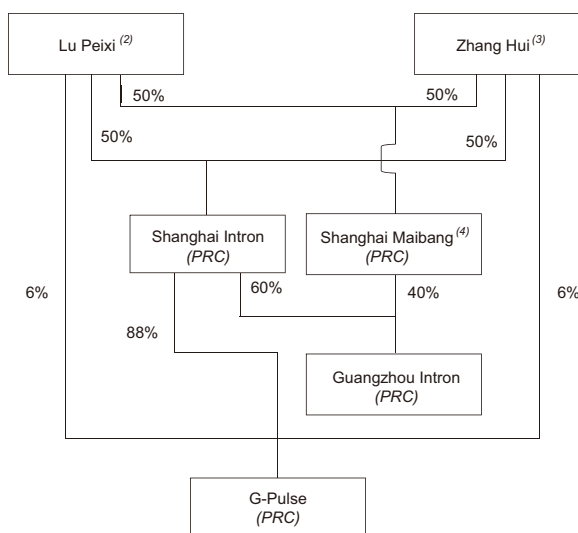
In preparation for the Listing, our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 3 January 2017 as the Listing vehicle. Pursuant to the Reorganization described below, our Company became the holding company of our Group.

The following diagrams illustrate the shareholding and corporate structure of each of Intron HK (as the holding company of our Hong Kong operations) and Shanghai Intron (as the holding company of our PRC operations) immediately prior to the commencement of the Reorganization in October 2016:

### Intron HK



### Shanghai Intron



**Notes:**

1. Chen Wenyuan, a former director of Evertronics, is our connected person for the purpose of the Listing Rules.
2. Equity interests of Lu Peixi (father of Mr Luk) in Shanghai Intron, Guangzhou Intron and G-Pulse were held in the capacity of nominee for and on behalf of Mr Luk pursuant to the Luk's Nominee Arrangement, further details of which are set out in "History and Development".
3. Equity interests of Zhang Hui (spouse of Mr Chan) in Shanghai Intron, Guangzhou Intron and G-Pulse were held in the capacity of nominee for and on behalf of Mr Chan pursuant to the Chan's Nominee Arrangement, further details of which are set out in "History and Development".
4. Shanghai Maibang was held in equal shares by Lu Peixi and Zhang Hui as nominees for and on behalf of Mr Luk and Mr Chan, respectively.

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## REORGANIZATION

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### DETAILED STEPS

For the purpose of Listing, the following Reorganization steps have been implemented:

#### **(1) Establishment of Beijing G-Pulse**

For further details, please see “History and Development — Establishment and Development of our Group — Our subsidiaries in the PRC — Beijing G-Pulse”.

#### **(2) Incorporation of our Company by each of Treasure Map and Heroic Mind**

Treasure Map was incorporated on 6 July 2016 in the BVI. On 28 October 2016, it allotted and issued, as fully-paid and at par, 100 shares to Mr Luk who accordingly owned the entire issued share capital thereof. Heroic Mind was incorporated on 17 October 2016 in the BVI. On 28 October 2016, it allotted and issued, as fully-paid and at par, 100 shares to Mr Chan who accordingly owned the entire issued share capital thereof.

Subsequent to the incorporation of Treasure Map and Heroic Mind, our Company was incorporated in the Cayman Islands on 3 January 2017 with the allotment and issuance to an independent third party, as fully-paid and at par, one Share, which was subsequently on the same date transferred at par, to Heroic Mind. On the same date, 100 and 99 new Shares were allotted and issued, as fully-paid and at par, respectively to Treasure Map and Heroic Mind, such that each of them owned as to 100 Shares representing 50.0% of the entire issued share capital of HK\$2.00 divided into 200 Shares of HK\$0.01 each.

Accordingly, our Company was held by Mr Luk and Mr Chan (indirectly through Treasure Map and Heroic Mind, respectively) in equal shares.

#### **(3) Transfer of 12.0% equity interests in G-Pulse to Shanghai Intron**

Lu Peixi and Zhang Hui (both as transferors and as nominees of Mr Luk and Mr Chan, respectively) and Shanghai Intron (as transferee) entered into an equity transfer agreement on 5 January 2017. Pursuant to the said agreement, Shanghai Intron acquired from each of the two transferors the entirety of his/her 6.0% equity interests in G-Pulse (totalling 12.0% in representation of the corresponding registered capital amounted to RMB1,200,000) at an aggregate consideration of RMB1,200,000. The said consideration was determined with reference to the registered capital of G-Pulse and was fully settled by 27 June 2017. An updated business licence was obtained from the relevant regulatory authorities of the PRC on 7 February 2017. G-Pulse has remained to be wholly owned by Shanghai Intron since the completion of the foregoing equity transfer.

#### **(4) Establishment of Intron China**

For further details, please see “History and Development — Establishment and Development of our Group — Our subsidiaries in the PRC — Intron China”.



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## REORGANIZATION

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### **(5) Transfer of 40.0% equity interests in Guangzhou Intron to Shanghai Intron**

Shanghai Maibang (as transferor in which Lu Peixi and Zhang Hui were interested as nominees for and on behalf of Mr Luk and Mr Chan, respectively) and Shanghai Intron (as transferee) entered into an equity transfer agreement on 13 March 2017. Pursuant to the said agreement, Shanghai Intron acquired from Shanghai Maibang the entirety of its 40.0% equity interests in Guangzhou Intron (in representation of the corresponding registered capital amounted to RMB400,000) at the consideration of RMB400,000. The said consideration was determined with reference to the registered capital of Guangzhou Intron and was fully settled by 1 April 2017. An updated business licence was obtained from the relevant regulatory authorities of the PRC on 14 March 2017. Guangzhou Intron has remained to be wholly owned by Shanghai Intron since the completion of the foregoing equity transfer.

### **(6) Transfer of the entire issued share capital of Intron HK to our Company**

Pursuant to an ordinary resolution passed at the board meeting on 26 June 2017, 7,500,000 shares of Intron HK were consolidated into 750 shares by way of combination of every 10,000 shares into one share. Accordingly, with the total issued share capital remained unchanged, each of Mr Luk and Mr Chan owned 375 shares in Intron HK. For the purpose of the Reorganization, Intron HK allotted and issued 499,250 fully-paid shares to our Company at a consideration of HK\$49,925 on 29 June 2017, followed by each of Mr Luk and Mr Chan having transferred the entirety of his 375 shares (totalling 750 shares) in Intron HK to our Company at the consideration of HK\$112,500 on 12 July 2017. Such considerations have been fully settled. Since the completion of the foregoing share allotment and transfer, the entire issued share capital of Intron HK of HK\$7,549,925 divided into 500,000 shares has been held solely by our Company.

### **(7) Allotment and issuance of Shares to Magnate Era and Zenith Benefit**

Magnate Era was incorporated on 18 October 2017 in the BVI and on 13 November 2017, allotted and issued, as fully-paid and at par, 50 shares to each of Mr Luk and Mr Chan (totaling 100 shares representing the entire issued share capital thereof). Zenith Benefit was incorporated on 13 October 2017 in the BVI and on 13 November 2017, allotted and issued, as fully-paid and at par, 50 shares to each of Mr Luk and Mr Chan (totaling 100 shares representing the entire issued share capital thereof).

On 22 January 2018, our Company allotted and issued, as fully-paid and at par, 700 and 100 Shares respectively to Magnate Era and Zenith Benefit. Together with the 200 Shares previously allotted and issued as per step (2) above for the purpose of incorporation, the issued share capital of our Company was enlarged to HK\$10.00 divided into a total of 1,000 Shares held by Magnate Era, Zenith Benefit, Treasure Map and Heroic Mind as to 70.0%, 10.0%, 10.0% and 10.0% respectively.

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## REORGANIZATION

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### **(8) Transfer of 20.0% of the issued share capital of Evertronics to Intron HK**

On 29 December 2017, SFT HK (as transferor) and Intron HK (as transferee) entered into an instrument of transfer, pursuant to which Intron HK acquired the entirety of the 2,000 shares held by SFT HK in Evertronics at the consideration of HK\$400,000. Since the completion of the foregoing share transfer, the entire issued share capital of Evertronics has remained to be held solely by Intron HK.

### **(9) Transfer of the entire equity interests in Shanghai Intron to Intron China**

Each of Lu Peixi and Zhang Hui (as transferor) separately entered into an equity transfer agreement with Intron China (as transferee) on 1 February 2018, pursuant to which Intron China acquired the entirety of interests respectively held by Lu Peixi and Zhang Hui (as nominees for and on behalf of Mr Luk and Mr Chan respectively pursuant to the Nominee Arrangements) in Shanghai Intron at an aggregate consideration of RMB10 million. The consideration was determined through arm's-length negotiations among the parties with reference to the registered capital of Shanghai Intron, and was partially settled as to RMB6 million as at the Latest Practicable Date with the remaining sum to be settled on or before Listing. An updated business licence was obtained from the relevant regulatory authorities of the PRC on 22 February 2018.

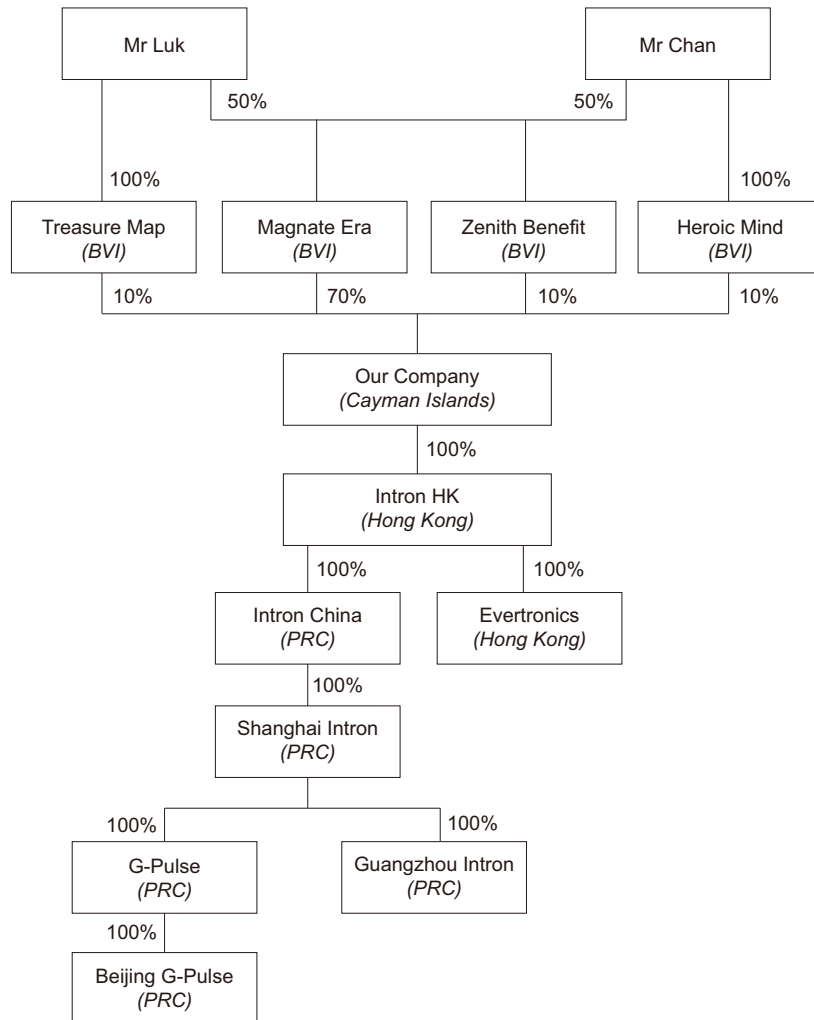
The shareholding composition of Shanghai Intron remained unchanged throughout the Track Record Period up to 22 February 2018, on which the said equity transfer was completed as part of the Reorganization. Shanghai Intron has remained to be wholly owned by Intron China since the completion of the foregoing equity transfer.

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## REORGANIZATION

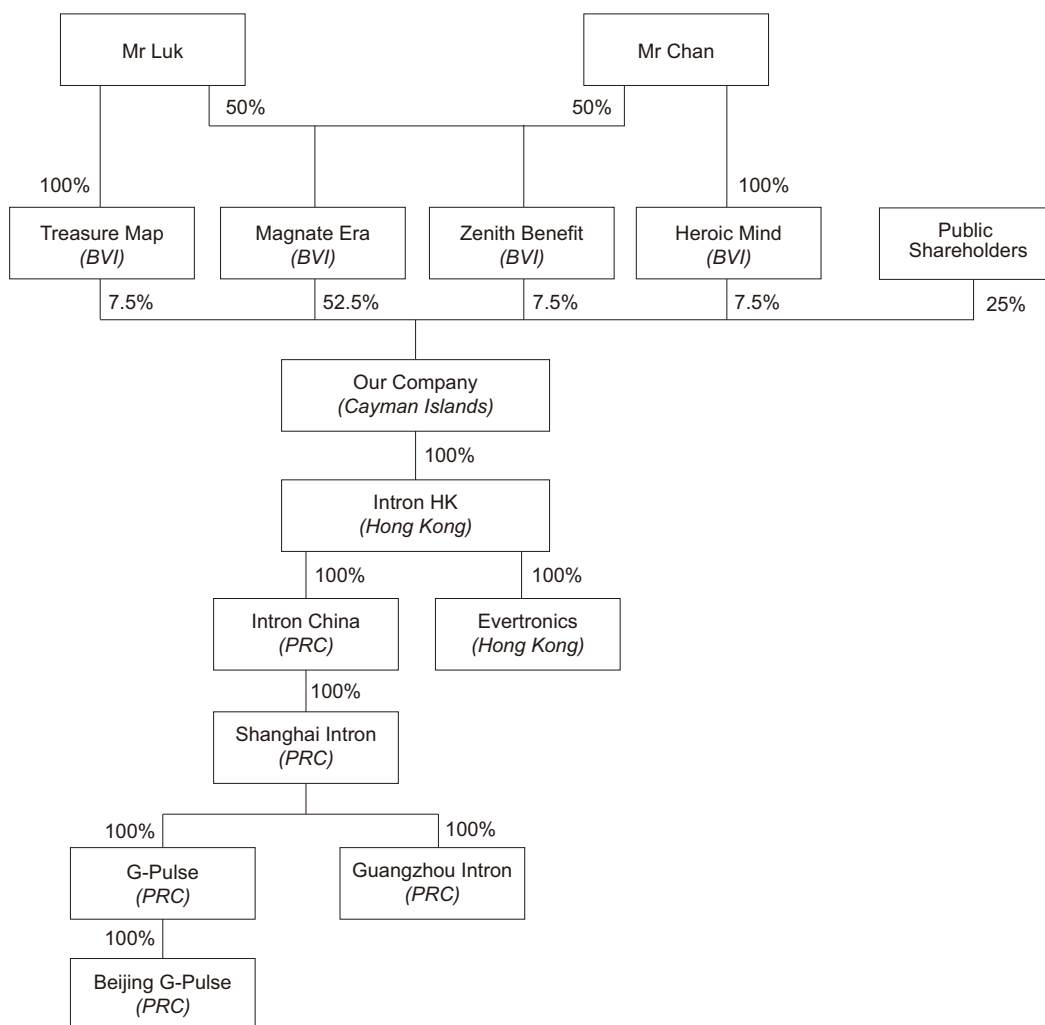
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Set out below is the shareholding and corporate structure of our Group immediately after the Reorganization but prior to completion of the Global Offering and the Capitalization Issue:



## REORGANIZATION

Set out below is the shareholding and corporate structure of the Group following completion of the Capitalization Issue and the Global Offering (taking no account any Shares that may be issued pursuant to the exercise of the Over-allotment Option or the exercise of any options which may be granted under the Share Option Scheme):



### PRC LEGAL COMPLIANCE

Pursuant to the PRC laws and regulations that are currently in force and as confirmed by the Directors, the PRC Legal Advisers concluded that the steps under the Reorganization involving various PRC subsidiaries of the Group were legally compliant and properly completed.

The PRC Legal Advisers also confirmed that since Mr Chan and Mr Luk, being the ultimate beneficial owners of our Company, are not PRC domestic residents, they are not required to carry out foreign exchange registrations pursuant to the Circular 37 and that the Reorganization and the Listing do not require the approval of the MOFCOM and the China Securities Regulatory Committee.

## BUSINESS

### OVERVIEW

We are a fast-growing automotive electronics solutions provider in China. We focus on providing solutions targeting critical automotive electronic components applied in new energy, body control, safety and powertrain systems. We utilize our research and development and engineering capabilities to provide solutions incorporating advanced semiconductor devices to help OEMs achieve industry leading performance. Our robust growth during the Track Record Period was driven by our successful business model supported by the overall growth of the PRC automotive industry, tightening regulatory requirements (such as the recently introduced mandatory requirements to install certain safety features in vehicles in the PRC) and increasing consumers' demand for smart features in vehicles and automotive electronic components. According to Frost & Sullivan, the PRC automotive electronic components market size increased from RMB267.5 billion in 2012 to RMB577.5 billion in 2017, representing a CAGR of 16.6%.

We work closely with OEMs and their suppliers in China from the very beginning of their system and components development cycle in an effort to provide them with solutions that satisfy their needs including fuel efficiency, emission reduction, improved reliability and overall vehicle intelligence enhancement. We create value by applying our research and development capabilities and engineering expertise to help OEMs realize their desired product features in mass production. See “— Our Business Model” below for details of the solutions we provide.

We have strategically built our solution portfolio following the trends in the automotive industry and increased our focus on new energy vehicles-related applications. Our solutions cover three of the four main categories of automotive electronics (body control, safety and powertrain) as well as for new energy vehicles. The following table sets out our revenue breakdown by categories during the Track Record Period:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Solution products						
New energy <sup>(1)</sup>	108,565	14.8%	198,191	17.2%	353,274	24.0%
Body control	239,248	32.7%	344,730	30.0%	349,912	23.7%
Safety	224,782	30.7%	331,970	28.9%	347,152	23.6%
Powertrain	80,500	11.0%	131,620	11.4%	183,935	12.5%
Industrials <sup>(2)</sup>	24,074	3.3%	84,176	7.3%	140,443	9.5%
	<u>677,169</u>	<u>92.5%</u>	<u>1,090,687</u>	<u>94.8%</u>	<u>1,374,716</u>	<u>93.3%</u>
Rendering of services <sup>(3)</sup>	8,926	1.2%	5,491	0.5%	22,598	1.5%
Others <sup>(4)</sup>	<u>46,167</u>	<u>6.3%</u>	<u>53,995</u>	<u>4.7%</u>	<u>76,170</u>	<u>5.2%</u>
	<u><u>732,262</u></u>	<u><u>100.0%</u></u>	<u><u>1,150,173</u></u>	<u><u>100.0%</u></u>	<u><u>1,473,484</u></u>	<u><u>100.0%</u></u>

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*Notes:*

1. Our new energy solutions include motor controller (inverter), vehicle control unit, battery management system, DC-DC converter, on-board charger, power distribution unit, central gateway, PTC heater, electric pump and electric fan.
2. Industrials include power supply solutions designed for high-performance CPUs and graphics processors in cloud server.
3. Mainly include revenue from consultancy services.
4. Others represent semiconductor devices sold independent of any solution.

For further details of the automotive electronics solutions that we provide, see “— Our Business Model — Applications of our solutions” below.

Since our establishment in 2001, we have established close relationships with OEMs and their suppliers. In 2015, 2016 and 2017, 19.7%, 16.6% and 12.7% of our total revenue (excluding revenue generated from the rendering of services) for the respective periods was generated from OEM customers, which include eight of the top ten Chinese new energy passenger vehicle brands in 2017<sup>1</sup>. Revenue (excluding revenue generated from the rendering of services) generated from OEM suppliers accounted for 76.5%, 75.8% and 77.3% of our total revenue (excluding revenue generated from the rendering of services) for the respective periods.

Our suppliers include manufacturers and distributors of semiconductor devices, such as Infineon.

We pride ourselves on our research and development capabilities. As at 31 December 2017, 230 of our permanent staff members were involved in research and development, making up 61.3% of our total employees. The recognitions we have received for our research and development capabilities include the following:

- In 2017, G-Pulse’s new energy vehicle powertrain inverter solution successfully passed the ISO 26262 functional safety technical assessment of TÜV SÜD, a reputable certification services provider. According to TÜV SÜD, G-Pulse was the first company in China to have passed such technical assessment.
- In 2016, we were awarded the “Pudong New Area Research and Development Institution” certificate and received government grants as a “Key Corporate Research and Development Institution”.
- In 2015, we were awarded grants from Shanghai’s “Growing Giant of Technology” fund.

See “— Awards and Recognitions” below for further information on our other awards.

We experienced continued growth during the Track Record Period. Our revenue increased from RMB732.3 million in 2015 to RMB1,473.5 million in 2017, representing

<sup>1</sup> According to Frost & Sullivan, the top ten Chinese new energy passenger vehicle brands in 2017 in terms of sales volume are BYD, BAIC, Geely, SAIC, Zoyte, Chery, JMC, Changan, JAC and DFM.

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a CAGR of 41.9%. Our net profit increased from RMB87.5 million in 2015 to RMB122.4 million in 2017, representing a CAGR of 18.3%.

### OUR STRENGTHS

Our Directors believe that we have the following competitive strengths:

#### **Fast-growing automotive electronics solutions provider focusing on critical automotive electronic components**

Since our establishment in 2001, we have been focused on servicing the automotive industry in China. We consider ourselves to be a “technology enabler” by providing value-added solutions targeting critical automotive electronic components to help our customers including OEMs and their suppliers to achieve industry-leading performance, which is crucial amid the stringent regulatory requirements and increasing consumers’ demand for smart features in vehicles. We believe our customers benefit from our “ready-to-use” and “ready-for-mass-production” solutions which help them shorten their system and components development cycle and improve cost efficiency in a highly competitive automotive market. As a result, we believe we are a preferred partner of the China’s domestic OEMs and their suppliers to capture the substantial growth potential in the automotive industry in China.

During the Track Record Period, we recorded continued growth in revenue, gross profit and net profit that outperformed the overall industry growth:

	Year ended 31 December			CAGR
	2015	2016	2017	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Revenue	732,262	1,150,173	1,473,484	41.9%
Gross profit	191,681	241,387	309,011	27.0%
Profit for the year	87,517	93,990	122,379	18.3%
	Year ended 31 December			
	2015	2016	2017	CAGR
Automotive electronic components market in China <i>(RMB billion)</i>	455.4	511.9	577.5	12.5%

*Source:* National Bureau of Statistics of China, China Association of Automobile Manufacturers, the Frost and Sullivan Report

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Benefiting from our strong research and development capabilities and engineering expertise, we believe that we are well positioned to continue capturing growth in the following areas:

- *Continuing growth in automotive electronic content.* According to Frost & Sullivan, owing to the continuing growth in automotive electronic content and the resulting increasing applications of electronic components in vehicles, the number of chips installed in a domestically-produced conventional vehicle grew from 438 in 2012 to 580 in 2017, and is expected to reach 934 in 2022. With the more advanced electronic systems, foreign brands vehicles are typically installed with a larger number of chips. Domestic OEMs strive to raise their standards to compete at an international level, our extensive experience and proven research and development capabilities covering a broad spectrum of automotive electronic components and new energy vehicles place us in an advantageous position to capture the growth opportunities presented by the trend of increasing applications of electronic components in the automotive industry.
- *New energy vehicles.* According to Frost & Sullivan, the production volume of new energy vehicles in China is expected to grow from approximately 0.8 million units in 2017 to approximately 3.6 million units by 2022, representing a CAGR of 34.9%. We have already successfully developed a number of solutions used in new energy vehicles. See “— Our Business Model — Applications of our solutions” below for details. Our revenue generated from the new energy category increased from RMB108.6 million in 2015 to RMB353.3 million in 2017, representing a CAGR of 80.4%.
- *Automated driving.* According to Frost & Sullivan, as safety technology becomes more mature, automated driving is gaining importance in the automotive industry, with the value of electronic components of automated driving inclusive of ADAS per vehicle expected to increase from RMB1,872.9 in 2017 to RMB4,863.9 in 2022, representing a CAGR of 21.0%.

Riding on the rapid growth in the automotive industry, and the close alignment of our solution portfolio and research and development capabilities with the market trend, we believe we stand to benefit from our first-mover advantage as a fast-growing automotive electronics solutions provider in China.

### **Comprehensive portfolio of automotive electronics solutions with high entry barriers**

Over our long history of operations, we have accumulated a wealth of experience in providing automotive electronics solutions to customers and built a portfolio that covers three of the four major categories of automotive electronic components ranging from body control, safety and powertrain as well as for new energy vehicles.



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The following table sets out the number of solutions that we provided to customers by category for the years indicated:

	Year ended 31 December		
	2015	2016	2017
New energy	34	38	42
Body control	59	61	61
Safety	29	30	30
Powertrain	20	23	22
Industrials	2	3	3
	144	155	158
Total	144	155	158

Built on our understanding of automotive electronics technologies, our comprehensive solution portfolio differentiates ourselves from other automotive electronic solution suppliers in the market that tend to operate in smaller scale. This, together with our long cooperative history with OEMs and their suppliers, create entry barriers for potential competitors.

### **Strategic focus on renowned PRC domestic OEMs**

We strategically focus on servicing OEMs in China and their suppliers whom we believe are in greater needs for solutions that help them achieve the desired functions and features on par with international OEMs. With our long history in the industry, we have established strong relationships with many of China's leading OEMs, either as our direct customers or as users of our solutions purchased through their automotive part suppliers. During the Track Record Period, our customers included eight of the top ten Chinese new energy passenger vehicle brands in 2017<sup>1</sup>. These OEMs included BYD and BAIC BJEV, with whom we have more than 12 and four years of business relationships, respectively.

We have established branch offices in Shenzhen and Beijing where our major customers such as BYD and BAIC BJEV are located. Our presence has now expanded into 14 major cities in Greater China including Shanghai, Beijing, Chongqing, Xi'an, Changchun, Guangzhou and Shenzhen. Our geographical presence is strategically planned to allow us to maintain close proximity to the locations of OEMs and their suppliers. We believe geographical proximity to our customers is vital in establishing and maintaining close ties with them as well as to providing them with quality and timely services.

<sup>1</sup> According to Frost & Sullivan, the top ten domestic automotive OEM names for new energy vehicles in 2017 in terms of sales volume are BYD, BAIC, Geely, SAIC, Zoyte, Chery, JMC, Changan, JAC and DFM.

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Based on our targeted marketing efforts, we have managed to expand our customer base and witnessed a healthy growth of the number of customers throughout the Track Record Period. The following table sets out the number of our customers by type with whom we had transactions for the years indicated:

	Year ended 31 December		
	2015	2016	2017
OEMs	24	27	36
OEM suppliers	608	717	874
Others	40	42	46
Total	<u>672</u>	<u>786</u>	<u>956</u>

### **Strong research and development capabilities and pipeline**

We have a large and growing professional team dedicated to research and development. As at 31 December 2015, 2016 and 2017, our research and development team comprised 113, 165 and 230 members, respectively. We were the registered owner of a total of 43 granted patents and 69 software copyrights and had 21 pending patent applications in the PRC as at the Latest Practicable Date.

We possess in-depth product and technical knowledge with our sizable research and development team, which has the research and development capabilities and engineering expertise to develop and produce a workable sample of automotive parts. We are therefore able to assist customers in resolving technical issues arising in the course of mass production, and we are also able to advise our customers on the latest solution offerings and how these may assist them in realizing their desired product features.

We believe our success was partly attributable to our research and development team's efforts spent in constantly keeping themselves abreast of the latest market trends in the automotive industry and their ability to identify potential opportunities as they arise in the market. For example, we ventured into the development of the motor control unit (MCU) which is one of our first solutions for use in new energy vehicles back in 2009 and have since then significantly expanded our offerings in the new energy segment, and progressed to developing applications related to automated driving for use in intelligent vehicles. Building on our experience in these applications, we plan to expand our related offerings in the coming years. See "— Our Strategies" below for details. We believe these pipeline solutions have great potential and will strengthen the competitiveness of our offerings.

We are committed to continuing our investment in research and development. In 2015, 2016 and 2017, our research and development costs amounted to RMB30.6 million, RMB52.8 million and RMB74.7 million, respectively, representing 4.2%, 4.6% and 5.1% of our revenue for the respective years. We have received numerous awards

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and recognitions for our research and development capabilities; see “— Awards and Recognitions” below.

Our dedication to and significant investments in research and development not only result in new solutions, but also help keep us at the technological forefront of the automotive electronic component industry.

### **Experienced and visionary management team with extensive knowledge of the automotive electronics industry**

We have a dedicated management team, led by our co-CEOs Mr Luk and Mr Chan, with an average of more than 18 years of experience in the automotive industry or electronic components industry. Mr Luk, our Chairman, co-CEO and executive Director, was an engineer by training and obtained a bachelor’s degree in materials engineering from Shanghai Jiaotong University. Mr Chan and Mr Luk have a long history of working together. Prior to founding our Group, Mr Luk and Mr Chan were colleagues in the sales department of a distributor of electronic devices. They shared the vision and passion of starting a business that specializes in providing electronics solutions dedicated to the automotive industry in China that ultimately led to the establishment of our Group in 2001. Both Mr Luk and Mr Chan have over 20 years of working experience in the electronics industry including 16 years in the automotive electronics industry.

Mr Luk and Mr Chan are supported by an experienced and stable senior management team including Mr Chan Ming, our executive Director, who has a background in engineering and his experience helps us formulate business development strategies that address trends in the automotive market; Mr Zhu Xinping, who is responsible for overseeing our sales function; Mr Qin Chen, who is in charge of the planning and management of our research and development function; and Ms Cheng Lijuan who is responsible for the daily management of our finance department. Most of them have been with our Group for more than 15 years and has a deep understanding of our business, and customers and the environment that we operate in and brings valuable insights to the continued success of our Group.

Under the leadership, strategic vision and direction of our executive Directors and senior management team, we have built a business with a proven track record of success. For further information on our Directors and senior management team, see “Directors and Senior Management”.

### **OUR STRATEGIES**

Our goal is to become the designated automotive electronics solutions provider for OEMs and their suppliers in China with dominating market share. We aim to achieve our goal through the following strategies:

#### **Increase our solution offerings for new energy vehicles to bolster our market penetration**

According to Frost & Sullivan, the new energy vehicles market in China is expected to continue its rapid growth in the coming years, with the production volume

of new energy vehicles projected to grow from approximately 0.8 million units in 2017 to approximately 3.6 million units in 2022, representing a CAGR of 34.9%.

As a result, we plan to further increase our investment in research and development in the area of new energy, and in particular developing advanced solutions targeted at the following areas which we believe are the key applications in new energy vehicles:

### ***Battery management systems (BMS)***

- To develop an ASIL C BMS solution
- To integrate on-board charger into BMS
- To develop a compound solution for energy management, which will integrate BMS, OBC, DC-DC converter and power distribution unit

### ***Vehicle control units (VCU)***

- To develop a compatible ASIL C solution for both new energy passenger vehicles and commercial vehicles
- To integrate gateway functionality into VCU, and to develop an ASIL C powertrain domain ECU solution

### ***Motor control units (MCU)***

- To upgrade the current ASIL C level solution to ASIL D level, to meet the requirements for PRC domestic OEMs' premier new energy car models
- To integrate the VCU into MCU, to provide a cost-effective solution for compact new energy vehicles

We also plan to develop an ASIL D technology platform for the 4-wheel drive system for new energy vehicles.

See “— Our Expansion Plan” for more information on the features, major applications, potential market demand, funding requirements and roadmap for the above solutions.

## **Enhance our research and development capabilities including developing core technology platforms in accordance with industry trends and maintain our competitive edge**

Research and development is one of our core competencies. As at 31 December 2017, we had a team of 230 research and development professionals dedicated to develop new designs for our solutions. We plan to further enhance our research and development capabilities through expanding our research and development team by recruiting additional engineers and research and development staff.

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Going forward, we plan to continuously increase our investment in the research and development of a number of key technology platforms, which we believe align with new industry trends. We intend to develop technology platforms that can be leveraged to multiple customers, and adapted for each individual customer's particular requirements. We believe such technology platforms will consolidate our competitive edge and generate business opportunities in the new market environment. In particular, we plan to develop the following technology platforms.

- *Automotive multicore processor software platform.* We have completed the development of our automotive 32-bit processor software platform. To align with the trend of the development of intelligent vehicles, we will develop a multicore processor software platform, which will cover 3-core, 6-core, and 8-core processors.
- *Automotive functional safety.* We have completed the development of a technology platform for embedded ECU which complies with ISO26262 and meets the ASIL C level. In the coming years, we will focus on developing ASIL D technology platforms for ECUs which comply with the ASIL D standard, as well as safety adaptive technology platforms which satisfy "fail-operational" system safety requirements.
- *Automotive cybersecurity.* We plan to develop a comprehensive technology platform for automotive cybersecurity in view of the increasing connectivity features in automobiles. Our roadmap for achieving such plan consists of a number of stages, including the development of prototypes of security interfaces and security gateways, the development of an in-vehicle network architecture, and the development of a trustable computing platform for an ECU which satisfies the requirements of security processing.
- *Integrated system.* We seek to develop an ASIL C technology platform for the construction of an integrated system encompassing the functions of BMS, TCU and MCU.

See "— Our Expansion Plan" for more information on the features, major applications, potential market demand, funding requirements and roadmap for the above technology platforms.

### **Develop modular solutions for design and engineering of diverse applications to increase market coverage**

According to Frost & Sullivan, there is a prominent trend of modular production in the automotive industry. As modular production allows different automotive electronic components to be developed independently and produced in batches, modular production helps OEMs shorten their system and components development cycle for a vehicle and improve production efficiency.

One of our focuses is to develop modular solutions that can be applied in diverse applications in line with the market trend. In particular, we plan to develop the following solutions:

- *Integrated sensor module.* A modular multiple-sensing solution which measures temperature and current, and could be used in most automotive high power-density actuator components, such as EPS, MCU, window-lifter, and lighting components.

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- *Power-stack module.* A modular power-stack and drive solution which could be used in most automotive electronic actuators, such as those used for electric fans, pumps, throttles and valves.
- *Safety monitoring module.* A solution that could be applied to all critical safety-related automotive electronic components.
- *Encryption/Decryption module.* A compact solution that could be applied to all security-related automotive electronic components.

Modular solutions reduce our development cost, and shorten our development cycle for a specific application. As an important part of our solutions portfolio, modular solutions enable us to cover more applications and more customers, more quickly and more easily.

See “— Our Expansion Plan” for more information on the features, major applications, potential market demand, funding requirements and roadmap for the above modular solutions.

### **Increase investment in solutions used in automated driving**

According to Frost & Sullivan, as safety technology has become more mature, automated driving is gaining importance in the automotive industry, with the value of electronic components of automated driving inclusive of ADAS per vehicle expected to increase from RMB1,872.9 in 2017 to RMB4,863.9 in 2022, representing a CAGR of 21.0%.

We seek to increase our investment in the research and development in solutions used in automated driving with a view to developing solutions with industry leading performance, and ensuring regular launch of new solutions.

Our solutions in automated driving are designed with the objective of achieving mass production. In the coming years as the implementation of automated driving becomes more advanced and popularized, we are looking to leverage our accumulated experience in functional safety and cybersecurity, and our “low cost, high reliability” engineering capabilities, in an effort to launch new products according to the following roadmap:

#### ***Sensor applications for automated driving***

- 2018: Develop a fusion solution for obstacle detection with diverse sensor
- 2018–19: Develop an ASIL C/D-compliant high-precision 77 GHz millimetre-wave radar sensor solution
- 2018–19: Develop a solution for a fault-tolerant stereo camera unit
- 2019–20: Develop a solid state LiDAR solution
- 2020–21: Develop a compound, high-precision sensor module solution for automated driving

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### ***Technology platform for the automated driving control unit***

- 2018: Develop an ISO 26262- and ASIL D-compliant ECU solution for Level 2 or 3 automated driving
- 2019–20: Develop an ISO 26262- and ASIL D-compliant ECU solution for Level 3 automated driving
- 2021: Develop an ECU solution for Level 4 or 5 automated driving

### **Identify acquisition and strategic alliances opportunities**

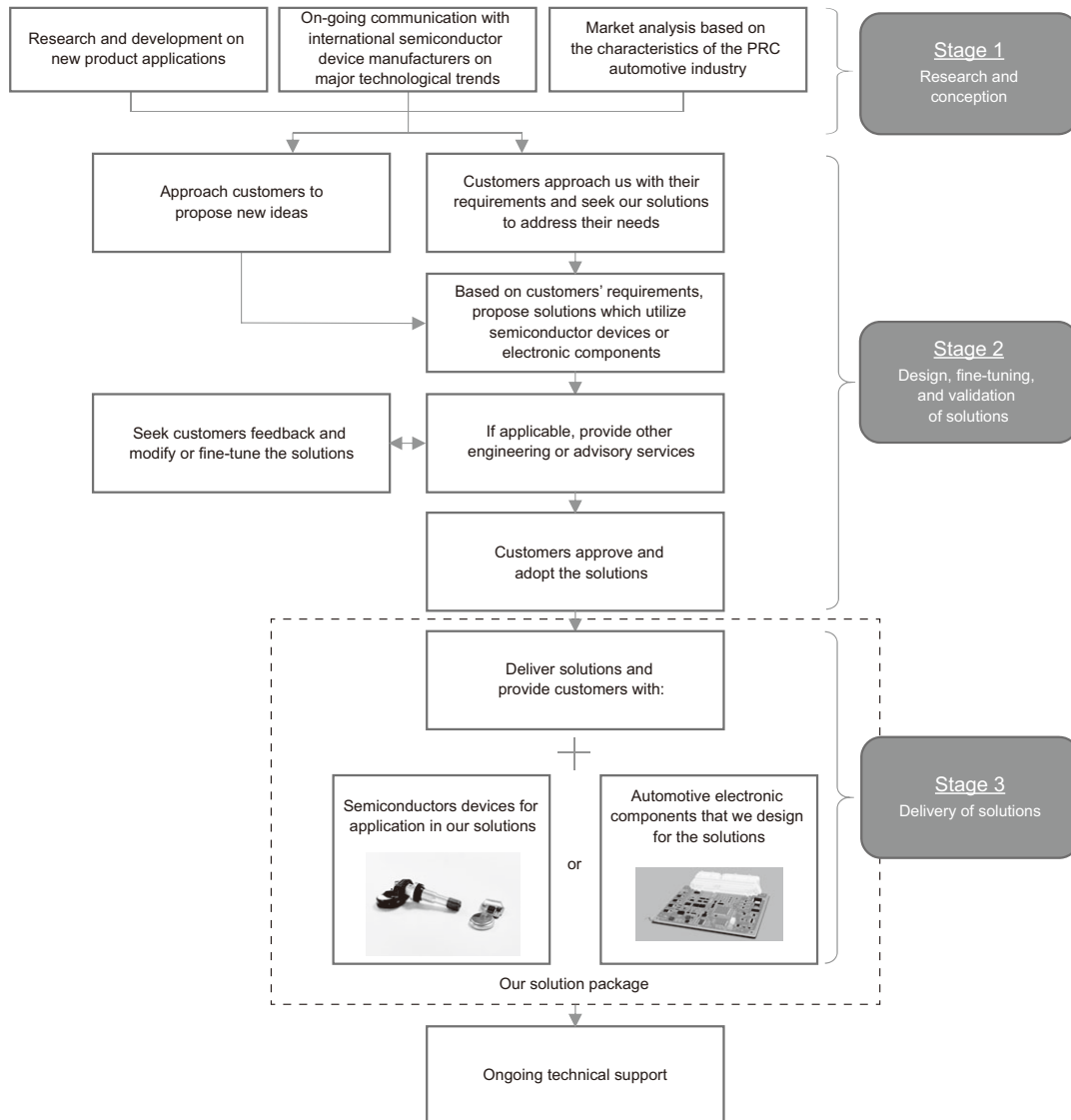
Although we expect to primarily grow our business organically, we will selectively pursue acquisition and strategic alliance if good opportunities are presented to us and we expect to be benefited from such opportunities. We will consider acquisitions of research and development capabilities that are complementary to our business and operations, including businesses in China and abroad which own key intellectual properties or technology capabilities and can help us expand our solution offerings or improve our technology and infrastructures. We have not identified any acquisition target as at the Latest Practicable Date. We believe our successful track record will help us identify alliance and acquisition candidates and execute transactions. Our management plans to carefully evaluate every proposed acquisition, investment or strategic alliance opportunity that can add long-term value to our Shareholders.

### **OUR BUSINESS MODEL**

We offer automotive electronics solutions to our customers. Our services include (a) designing, validating and fine-tuning solutions, (b) developing customized design of the electronic components, and (c) depending on the needs of our customers, sourcing and delivering appropriate advanced semiconductor devices, or electronic components incorporating our solutions and/or design, to our customers.

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Subject to the technical complexity and requirements of our customer, our solution initiation and delivery process may include the following steps:



*Research and conception.* Based on our understanding of industry trends, we seek to master the core technology which we expect to be applied in the next generation of products. See “— Research and Development” below for details. In addition, we have maintained long-term relationships with various international suppliers of semiconductor devices, including Infineon, with whom we communicate regularly on major technological trends and their latest product offerings. We analyse the market and develop conceptualization of new solution ideas.



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*Design, fine-tuning and validation of solutions.* Our customers approach us for solutions to achieve their desired product feature. We may also actively reach out to customers for solution ideas which we believe have market potential.

During this stage, we utilize our technological know-how and our engineering expertise to design the solution utilizing semiconductor devices, and where applicable, develop the relevant software and hardware technical specifications and design the functional prototype of the electronic component. We also assist our customers in developing comprehensive product testing programmes in accordance with the relevant industry standards or other customized product testing programmes, and use our own equipment to conduct tests for our customers' automotive electronic components.

In the course of our ongoing interaction with customers, we modify or fine-tune our solutions to meet their specific requirements.

Depending on the technical complexity and requirements of our customer, a solution might take about six months to 18 months to complete.

*Delivery of solutions package.* As part of the solution package, we source and deliver to our customers either semiconductor devices or electronic components, depending on the requests of our customers. Where applicable, we may also provide the product prototype, or the software or hardware design including the underlying software codes or hardware schematics.

After we have delivered our solutions to customers, our staff would provide ongoing technical support services to assist customers in resolving issues arising in the course of the adaptation of our solutions and in mass production.

In addition to offering solutions as illustrated above, we also (i) provide our customers with specific semiconductor devices based on their requests independent of any solution. In 2015, 2016 and 2017, such revenue accounted for 6.3%, 4.7% and 5.2% of our total revenue for the respective years; and (ii) offer consultancy services on a project basis and other ad hoc services. For instance, we entered into an agreement with BAIC BJEV pursuant to which we shall provide assistance in the development of certain VCU, MCU and BMS products for a fixed fee payable in stages. Revenue generated from rendering of services represented 1.2%, 0.5% and 1.5% of our total revenue in 2015, 2016 and 2017, respectively.

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### Applications of our solutions

Our solutions cover three of the four main categories of automotive electronics (body control, safety and powertrain) as well as for new energy vehicles. The following table sets out our revenue breakdown by categories for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%
Solution products						
New energy <sup>(1)</sup>	108,565	14.8%	198,191	17.2%	353,274	24.0%
Body control	239,248	32.7%	344,730	30.0%	349,912	23.7%
Safety	224,782	30.7%	331,970	28.9%	347,152	23.6%
Powertrain	80,500	11.0%	131,620	11.4%	183,935	12.5%
Industrials <sup>(2)</sup>	24,074	3.3%	84,176	7.3%	140,443	9.5%
	<u>677,169</u>	<u>92.5%</u>	<u>1,090,687</u>	<u>94.8%</u>	<u>1,374,716</u>	<u>93.3%</u>
Rendering of services <sup>(3)</sup>	8,926	1.2%	5,491	0.5%	22,598	1.5%
Others <sup>(4)</sup>	<u>46,167</u>	<u>6.3%</u>	<u>53,995</u>	<u>4.7%</u>	<u>76,170</u>	<u>5.2%</u>
	<u><u>732,262</u></u>	<u><u>100.0%</u></u>	<u><u>1,150,173</u></u>	<u><u>100.0%</u></u>	<u><u>1,473,484</u></u>	<u><u>100.0%</u></u>

*Notes:*

1. Our new energy solutions include motor controller (inverter), vehicle control unit, battery management system, DC-DC converter, on-board charger, power distribution unit, central gateway, PTC heater, electric pump and electric fan.
2. Industrials include power supply solutions designed for high-performance CPUs and graphics processors in cloud server.
3. Mainly include revenue from consultancy services.
4. Others represent semiconductor devices sold independent of any solution.

Each of the key areas of application of our solutions is set out as follows.

- *New energy.* Our solutions are used in key components of new energy vehicles such as MCU, VCU, BMS, DC-DC converter, on-board charger, power distribution unit, central gateway, PTC heater, electric pump and electric fan.
- *Body control.* Our body control solutions replace traditional components such as relays and fuses, thereby minimizing the use of coils and lowering the physical weight of the body control system. This helps achieve energy conservation and emission reduction.

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- *Safety.* Our solutions feature applications in both active and passive safety systems of a vehicle and are applied in automotive electronic components such as ABS, ESC, TPMS and airbags.
- *Powertrain.* Our solutions in this area target at engine management systems, TCU and ECU which help our customers achieve energy conservation and emission reduction targets.

### RESEARCH AND DEVELOPMENT

Research and development is an important part of our business model. Based on our understanding of industry trends, we seek to master the core technology which we expect to be applied in the next generation of products. While we do not typically supply finished automotive parts to our customers, the goal of our research and development projects is to develop working components with the desired functionality and reliability. The technical know-how accumulated from our research and development projects forms the basis of the solutions we provide to customers.

According to Frost & Sullivan, technology solution providers help OEMs and their suppliers shorten their product development cycle and enhance their manufacturing efficiency, in part by accelerating and improving the engineering process while reducing the need for physical prototype and durability testing.

In 2015, 2016 and 2017, our research and development costs amounted to RMB30.6 million, RMB52.8 million and RMB74.7 million, respectively, representing 4.2%, 4.6% and 5.1% of our revenue for the respective years. As at 31 December 2017, 230 of our permanent staff members were involved in research and development, making up 61.3% of our total employees.

As disclosed in “— Our Business Model”, it may take up to 18 months for us to develop a new solution. As a result, the specific items of research and development cost we incur in a particular year may not have material contribution to the growth in the short run. Instead, our research and development effort is focused on enhancing our technical capabilities with a view to providing better service to our customers, and on executing our solutions roadmap in light of industry trends. For these reasons, we believe that our research and development effort has contributed to our business growth and will continue to do so in the future.

For instance, during the Track Record Period, our growth was to a large extent driven by the increased sales of solutions for new energy vehicles. We believe our research and development capabilities as evidenced by our numerous patents and software copyrights in the new energy category, as set out in “Statutory and General Information — Further Information about our Business — 9. Our intellectual property rights” in Appendix IV to this prospectus, formed the basis of our ability to provide customers with such solutions in an effective manner, and contributed to our growth during the Track Record Period. For further details of our business growth during the Track Record Period, see “Financial Information — Results of Operation”.

**Our research and development function**

Our research and development function is led by Mr Qin Chen, who has over 18 years of experience in electronic engineering and research and development. As at 31 December 2017, 60% of our research and development staff members held bachelor degrees and 21% held masters or higher degrees; while 44% of them had more than 10 years of experience. Two thirds of our research and development staff specialized in software development and the rest in hardware development. We had a team of 13 staff members specializing in functional safety.

We enter into agreements with our research and development staff which provide that all relevant intellectual property rights from research and development efforts during their term of employment belong to us, and that they are bound by confidentiality obligations with respect to research and development activities.

Within our Group, research and development is a cross-departmental collaboration effort. In addition to a designated research and development department specializing in executing the research and development of specific applications, our products and process design and development departments, and sales and marketing department are also involved in the conceptualization and development of new solutions. The conceptualization of a new solution idea typically originates from the input from our marketing staff based on which we determine the direction of our research and development effort. After a prototype has been developed, we would utilize our engineering expertise and fine-tune the newly developed applications from the perspectives of cost optimization and increasing reliability and manufacturability.

To facilitate our research and development activities as a coordinated effort across different departments and different offices, we have adopted a cloud-based research and development management platform maintained by our information technology department. The platform enhances cross-functional collaboration and allows users to provide input to research and development remotely via network access.

**Research and development facilities**

Our research and development facilities occupy a total gross floor area of approximately 1,250 sq.m. We have established the G-Pulse Engineering Centre in Shanghai as our testing facilities dedicated to strengthening our research and development capabilities and to providing our customers with product testing and other services. The G-Pulse Engineering Centre is equipped with advanced testing equipment and machineries including our own-designed equipment such as our performance bench for motor controller which generates additional rated power and our intelligent pump performance test bed used to conduct flow testing, electric current and efficiency testing under simulation environment.

As at 31 December 2017, our major machineries and equipment used in research and development had an average age of under two years, and their estimated useful life was approximately three to five years.

Our management team closely monitors the progress of each project at the G-Pulse Engineering Centre to ensure that our solutions (i) meet the requirements of

our customers; (ii) are completed within the time stipulated and the budget allocated for the project; and (iii) comply with all relevant and applicable rules and regulations. Our project team also assists in monitoring the overall work quality and project progress. They will also conduct day-to-day on-site supervision and monitoring and will timely inform our management of the project status and any major issues encountered.

### **Cooperation agreements in research and development**

To enhance our research and development capacities, we collaborate with universities and other institutions on research projects from time to time. We entered into a cooperation framework agreement in 2016 with the Sino-German University of Applied Sciences (Chinesisch-Deutsche Hochschule für Angewandte Wissenschaften, “CDHAW”) at Tongji University where both parties agreed to utilize their respective technical expertise in future research projects.

The term of our agreement with CDHAW is from 27 September 2016 to 31 December 2019. Each of the parties shall be entitled to an equal share of the profits generated from the technological output arising from any research projects under the cooperation arrangement. All rights arising from the intellectual property shall be co-owned by the parties. We shall pay an annual fee of RMB600,000 to CDHAW to support its team of researchers.

During the Track Record Period, we also entered into agreements with third parties in respect of joint application for patents. In 2015, we entered into a cooperation arrangement with Tongji University in relation to the development of a controller for permanent magnet synchronous generators used in automobiles. In 2017, we entered into a similar cooperation arrangement with a Japan-based global electronics manufacturer in relation to the development of a current sensor. As at the Latest Practicable Date, we had made patent applications for each of the inventions, and the applications were pending approval from the relevant authorities in the PRC.

Our arrangement with third parties on joint patent application provides that each of the parties shall be entitled to an equal share of the profits generated from the patent, and that all rights arising from the intellectual property shall be co-owned by the parties.

In addition, we work closely with our strategic partner TTTech on EV safety and ADAS. TTTech is a provider of networked safety control solutions for various applications including in the automotive industry. For instance, we entered into the TTTech Technology Licence in 2016, pursuant to which we obtained the rights to use certain technology owned by TTTech in relation to inverter solutions which we apply in new energy vehicles. In 2018, we were engaged by and entered into an agreement with TTTech to provide them with automated driving-related engineering services (the “TTTech Engineering Services Agreement”). Under the agreement, we shall provide certain engineering services to TTTech including the establishment of an application integration test environment, execution of application tests, as well as providing onsite support. Pursuant to the TTTech Engineering Services Agreement, TTTech is responsible for providing the necessary development tool-chain, and we are responsible for all engineering implementations and technical support. Under the

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agreement, we will be paid services fees at an agreed sum in stages. We believe that entering into the TTTech Engineering Services Agreement not only represented our European partner's recognition of our engineering capabilities, but is also beneficial to us as we stand to consolidate our business relationship with TTTech, and to enhance our technical know-how in the course of ongoing communication and collaboration with a global technology leader.

### Our pipeline

As at the Latest Practicable Date, most of our on-going research and development projects were related to applications for new energy vehicles.

According to Frost & Sullivan, new energy vehicles will be a major growth driver for the production volume of automobiles in China in the coming years. We expect that new energy will continue to be one of our primary focuses. For instance, our new energy products in the pipeline feature an inverter used to control the motor speed of new energy vehicles. As at 31 December 2017, the research and development project for this product was in progress and the product is expected to be launched in 2019.

In addition, as at the Latest Practicable Date, we also had on-going research and development projects in the areas of automated driving. We began offering ADAS-related solutions in 2014. Starting from 2018, we have been developing a sensor fusion ECU, an application which fuses information from the radar and camera as a safety implementation. The product is expected to be launched in 2020.

### OUR EXPANSION PLAN

#### Expand our research and development capabilities

We are planning to expand and upgrade our research and development capabilities by recruiting additional research and development professionals and enhance our solutions portfolio as mentioned in "— Our Strategies" above. The following table sets out a breakdown of our proposed recruitment plan by specialized areas in 2018, 2019 and 2020:

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Number of professionals involved in:			
New energy vehicles	60	90	85
Automated driving	40	60	160
Powertrain and safety	10	10	5
Industry and others	9	8	3

The following table sets out a breakdown of the level of seniority of the engineering professionals we plan to recruit in 2018, 2019 and 2020:

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Junior (1-3 years of technical experience in automotive electronics)	102	144	210
Professional (3-5 years of technical experience in automotive electronics)	14	19	40
Senior (Over 5 years of technical experience in automotive electronics)	3	5	3
Total	119	168	253

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We believe the increased recruitment of research and development staff is appropriate given our continued expansion needs, and we expect to maintain the number of research and development staff as a percentage of our total staff at approximately 60% to 70%. We expect that our salary-related research and development costs and total research and development costs as a percentage of our revenue would increase from 3.3% and 5.1% respectively in 2017, to approximately 3.4% and 6.0% respectively in 2020. Further, based on currently available information, in 2018, 2019 and 2020, the expected increment in our labour costs would amount to approximately RMB12 million, RMB18 million and RMB30 million, respectively; whereas the expected increment in our research and development costs would amount to approximately RMB20 million, RMB58 million and RMB84 million, respectively.

We will require our newly recruited engineers to possess relevant experience in the automotive electronics sector with expertise such as embedded software development for microcontrollers, embedded systems integration and testing, functional safety design, electrical circuit design, programming and artificial intelligence.

We believe our plan to focus on recruiting professional specializing in new energy vehicles and automated driving is appropriate given that our solutions and technology pipeline is focused on these areas. See “— Feasibility of our expansion plan” below for details of our pipeline. We also believe that to further enhance our research and development infrastructure by acquiring new equipment, as detailed in “— Enhance our research and development infrastructure” below, would be an integral part of the expansion plan, and an expanded research and development workforce would be required to perform an increased variety of research and development functions as well as to enable the delivery of our pipeline projects.

We plan to fund the recruitment of additional staff using part of the proceeds from the Global Offering. See “Future Plans and Use of Proceeds” for further details of our plan to expand our research and development capabilities.

### **Enhance our research and development infrastructure**

We are planning to expand and upgrade our research and development infrastructure, which involves our investments in and acquisitions of testing and other equipment, and technology software to accelerate our solutions development cycle and thus increase exposure of our solutions to customers. Further details of our plan and the related estimated capital expenditure are set out as follows:

<u>Item</u>	<u>Estimated total investment up to 2020</u>	<u>Implementation period</u>	<u>Primary source of funding</u>
Private cloud platform and IT-related investment including data server, switch, fire-wall and disaster backup system	RMB55 million	Up to 2020	Proceeds from the Global Offering

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<u>Item</u>	<u>Estimated total investment up to 2020</u>	<u>Implementation period</u>	<u>Primary source of funding</u>
Automotive electronics development tool-chains, including software licences for development and management tool-chains and basic electronics development equipment such as oscilloscopes	RMB72 million	Up to 2020	Proceeds from the Global Offering
Automotive electronics mechanical and environment load test facilities, including facilities for high acceleration lifecycle tests and high accelerated stress tests	RMB28 million	Up to 2020	Proceeds from the Global Offering
Automotive electronics EMC test facilities	RMB28 million	Up to 2020	Proceeds from the Global Offering
NEV and powertrain test and validation facilities, including high-power dyno bench, power-level and signal-level HiL test systems	RMB75 million	Up to 2020	Proceeds from the Global Offering

We expect that approximately half of the above items will be applied specifically to applications related to new energy vehicles and automated driving, and the other half will be applied to expand and upgrade our infrastructure generally, such as expanding our capabilities to perform testing and validation internally.

We believe that focusing on new energy vehicles and automated driving is appropriate given that our solutions and technology pipeline is focused on these areas. See “— Feasibility of our expansion plan” below for details of our pipeline. We also expect to recruit more professionals specializing in new energy vehicles and automated driving. See “— Expand our research and development capabilities” for details. For benefits of developing testing and validation capabilities, see “— Feasibility of our expansion plan” below.

As at 31 December 2017, our property, plant and equipment amounted to RMB17.8 million. During the Track Record Period, in cases where our solutions involved the testing and validation of electronic components, we had to outsource some of the testing and validation procedures to third-party service providers or rely on our customers’ facilities. Our expansion plan involves the acquisition of additional facilities and equipment for testing and validation, and allows us to perform these functions independently.



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We believe that the reduced reliance on third-party service providers would enhance our efficiency in providing solutions to customers, given that third-party service providers may not at all times be able to prioritize the work we outsourced to them. Similarly, using our customers' equipment to perform testing and validation may not always be feasible as our customers may not possess the necessary equipment, or may not have spare equipment for our use. If third-party service providers or our customers are unable to provide the equipment we require, our ability to provide solutions may be affected.

In addition, some equipment we plan to acquire is for the development of new solutions or applications, and may not be available from most third-party testing laboratories. Engaging third-party service providers to conduct testing and validation for our new solutions and applications also has the disadvantage that we would inevitably have to divulge to the suppliers sensitive materials containing details of our research and development effort or our valuable intellectual property.

Using equipment owned by third parties also requires our staff to regularly visit the site of the third-party laboratories. We believe the related traveling time may divert attention of our staff and the associated opportunity costs may not necessarily be justified.

For the above reasons, we believe that investing in our own testing and validation equipment is the more efficient way to expand our capacities, and to ensure that our growth can be sustained without unnecessary reliance on the capabilities of third parties. We believe the increased efficiency in providing testing and validation services to our customers, the reduced cost arising from the engagement of third-party service providers, and the improved protection of our business secrets, would outweigh the cost related to the acquisition of new equipment (such as depreciation and labour costs).

As it is difficult to quantify the above benefits, cost saving in a quantitative sense is not our primary consideration when we evaluate whether to acquire a piece of new equipment. We however believe that the investment in new equipment may in some cases help us achieve cost saving. For demonstrative purposes only, in 2018, we invested in a dyno-bench to perform certain testing work at a cost of approximately RMB2.5 million, which is subject to depreciation on a straight-line basis over five years. Such depreciation costs together with the rental expenses of the new laboratory and labour costs of two engineers assigned to operate the new equipment would amount to approximately RMB1.2 million per year. As a comparison, it would cost approximately RMB1.4 million per year if we engaged third-party service providers to perform the same work.

Owing to the increased demand from customers, there was a substantial increase in the costs we incurred in engaging third-party service providers for their testing and validation services over the Track Record Period. In 2017, the amount of testing fees we paid for third-party testing and validation service was approximately RMB0.4 million; while based on information currently available, for the five months ended 31 May 2018, such expenses exceeded RMB1 million. These expenses have not reflected the costs we incurred in cases where we used our own equipment or equipment lent by our customers. As we believe that our sales of solution products in the form of electronic components and in the category of new energy would continue to increase, and more testing and validation work is required for these two categories, we believe our plan to increase our investment in equipment used for testing and validation is justified by our business prospect.

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### Potential acquisition of research and development capabilities

See “Future Plans and Use of Proceeds” for details of our expansion plan in relation to the potential acquisition of research and development capabilities.

### Feasibility of our expansion plan

Our strategies include (i) increasing our solution offerings for new energy vehicles to bolster our market penetration, (ii) enhancing our research and development capabilities including developing core technology platforms in accordance with industry trends and maintaining our competitive edge, (iii) developing modular solutions for design and engineering of diverse applications to increase market coverage, and (iv) increasing investment in solutions used in automated driving. See “— Our Strategies” above for details.

The tables below set out the features, major applications, potential market demand, funding requirements and roadmap of the solutions and technology platforms we plan to develop under each of our business strategies, as discussed in “— Our Strategies”:

<u>Solution/technology platform</u>	<u>Features</u>	<u>Major applications</u>	<u>Roadmap</u>
<b>Strategy – Increased solution offerings for new energy vehicles</b>			
ASIL C BMS solution	A BMS solution which will achieve ASIL C	All NEVs including BEVs, PHEVs and HEVs	Expected to launch in 2019
Integration of on-board-charger into BMS	Achieves lower cost and smaller size	Economy car models of NEVs	Expected to launch in 2020
Compound solution for energy management	Achieves lower cost and smaller size	Economy car models of NEVs	Expected to launch in 2020
Compatible ASIL C VCU solution	Improves the compatibility of the VCU solution for more car models	All NEVs, including car models of passenger vehicles and commercial vehicles	Expected to launch in 2019/20
Integration of gateway functionality into VCU	Integrates two ECUs into one, achieving lower cost and small size	Economy car models of NEVs	Expected to launch in 2019/20
ASIL D level MCU	An MCU solution which will achieve ASIL D	2/4 wheel drive systems, electric logistics vehicles, automatic driving shared vehicle platforms, etc	Expected to launch in 2020/21
Integration of VCU into MCU	Integrates two ECUs into one, achieving lower cost and small size	Economy BEVs, including A0-class and A00-class	Expected to launch in 2019

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We believe there will be market demand for the above solutions for the following reasons:

- The solutions are mostly designed for NEVs and, according to Frost & Sullivan, the NEV market is experiencing rapid growth.
- According to Frost & Sullivan, the demand for safety features in automobiles is rising.

Funding for the development of the above solutions is expected to be applied in the following manners:

- Purchasing more testing and validation facilities; and
- Recruiting more professionals focusing on adaptation (in accordance with customers' requirements) and delivery.

<u>Solution/technology platform</u>	<u>Features</u>	<u>Major applications</u>	<u>Roadmap</u>
<b>Strategy – Develop core technology Platforms</b>			
Automotive multicore processor software platform	Increases the number of processing cores to increase processing speed	For integrated solution, as well as for domain controller	3-core platform expected to complete in 2019; on-going update (for 6-core, 8-core) subsequently every 18 months
ASIL D technology platforms for ECUs	Specific combination of hardware and software that will be used in ASIL D solutions	Key components in powertrain and safety system, such as BMS, VCU, MCU, ADAS and TCU	First launch in 2019/20; subsequent optimization and update every 18 months
Automotive cybersecurity	Specific combination of hardware and software that will be used to fulfil automotive cybersecurity requirements	Key components of the in-vehicle network and vehicle-to-cloud network, such as gateways, ADAS, telematics units and cloud servers	First launch in 2019; subsequent optimization and update every 18 months
Integrated system	Features compact design and lower system cost	Powertrain domain in economy BEV, including A0-class and A00-class	First launch in 2020/21; subsequent optimization and update every 18 months

We believe the development of the above technology platforms helps us capture the market demand given that we believe the development of technology platforms caters to the increasing trend of intelligent vehicles. According to Frost & Sullivan, government policies are favourable to the advancement of “Internet Plus” convenient transportation and the development of smart transportation.

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Funding for the development of the above technology platforms is expected to be applied in the following manners:

- Recruiting more professionals;
- Purchasing more technology development software and hardware; and
- Expanding and upgrading our in-house technology development and management platform.

Solution/ technology platform	Features	Major applications	Potential market demand	Roadmap
<b>Strategy – Develop Modular solutions</b>				
Integrated sensor module	Integrates different sensors into one module featuring customized semiconductor sensor devices	Key components in the powertrain and safety system, as well as most of electric actuators	We believe the development of these modules meets market demand given the increasing trend of electrification in vehicles and that local government are promoting NEVs which better achieve energy saving and emission reduction, and our light-weight design achieves this purpose.	First launch in 2020; subsequent optimization and update every 12 months
Power-stack module	Cost-effective and compact design which achieves around 20% higher power density and thus less weight and smaller size; could be adopted to most electric actuator products	Electric smart actuators, such as EPS, electric pumps, fans and e-throttles		First launch in 2019/20; subsequent optimize and update every 12 months
Safety monitoring module	Compact and low-cost design to implement basic safety requirements, and could be adopted to most safety-related products	Key components in powertrain and safety system, such as BMS, VCU, MCU, ADAS and TCU	Significant market demand is expected given that the PRC government has already released certain mandatory national safety standards	First launch in 2019/20; subsequent optimization and update every 12 months
Encryption/Decryption module	Uses specific low-cost semiconductor devices, together with embedded software to implement encryption/decryption functionality to fulfil auto cybersecurity	Key components of the in-vehicle network and vehicle-to-cloud network, such as gateways, ADAS, telematics units and cloud servers	We believe market demand exists given that according to Frost & Sullivan, government policies are favourable to the advancement of "Internet Plus" convenient transportation and the development of smart transportation.	First launch in 2019; subsequent optimization and update every 12 months

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Funding for the development of the solutions is expected to be applied in the following manners:

- Recruiting more professionals; and
- Purchasing more technology development software and hardware.

These initiatives require us to invest in enhancing our research and development capabilities and we plan to apply most of the net proceeds from the Global Offering to do so. According to Frost & Sullivan, automotive electronic components providers are required to continuously improve their research and development capabilities to meet the potential demand originating from the rapid development of automated driving, automobile connectivity and new energy vehicles.

We formulate our development plan based on our projection of the future industry trend following our studies of market data and on-going discussions with our customers and suppliers. We believe our expansion plan, which mainly targets the future business growth in the areas of new energy vehicles and automated driving, is well supported by market demand. According to Frost & Sullivan, with more OEMs engaged in producing NEV models and the increasing usage of electronic components in general, the market is expected to grow at a high rate. In respect of automated driving, according to Frost & Sullivan, with the establishment of industrial standard system and the mandatory configuration of ADAS in vehicle manufacturing, there is great market potential for ADAS.

Since our establishment, we have formed a sizable research and development team with capabilities recognized by our customers. According to Frost & Sullivan, in the context of intensifying competition in downstream sectors, and the advancement and upgrades of technology in relevant fields, the demand for services from solutions providers is expected to experience a sustainable growth. With our track record of success, we believe our continued focus on expanding our research and development capabilities will be beneficial to our Company and the Shareholders.

Further, according to Frost & Sullivan, there are plenty of independent automotive electronics solutions providers in China; therefore we believe that our plan to acquire additional research and development capabilities is feasible.

See also “Industry Overview — Key Development Trends and Growth Drivers for the Automotive Electronics Solution Providers” for a discussion of industry trends related to our plan to expand our research and development capabilities.

We believe that using part of the proceeds from the Global Offering to fund our expansion plan is appropriate taking into account our current capital structure. While we currently have no difficulty in securing bank borrowings, our limited amount of fixed assets would make it difficult for us to provide collateral to significantly increase our bank borrowings to a level that is sufficient for our expansion plan. As at 31 December 2017, we owned one real estate property whose carrying amount was RMB771,000, and we had already mortgaged the property to a bank as security for certain of our bank loans. Further, as at 31 December 2017, our bank borrowings mostly consisted of short-term loans which were mostly secured by our trade receivables and time

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deposits. On the other hand, the execution of our expansion plan would require significant investment over a number of years, and we consider that it could be difficult for us to secure loans with significantly longer terms than our bank borrowings at present. Deployment of short term borrowings would not match our longer term expansion plan and any significant increase in short term borrowings would also require us to regularly attend to their re-financing and consequentially divert our management's attention and resources. According, our Directors believe that using equity to fund our expansion plan would provide a better and more stable capital structure for our Company.

In addition to giving us access to alternative means of financing, we also believe that the Listing would elevate our corporate image and further improve our business cooperation with our customers and suppliers.

### INTELLECTUAL PROPERTY

Our competitiveness to a large extent depends on our proprietary know-how. Therefore, our intellectual property is crucial to our business. We recognize the importance of registering intellectual property rights in the protection of our research output, strengthening our brand image, as well as improving the quality of our solutions. We seek to protect our intellectual property by the use of patents, software copyrights, trademarks, as well as good practice regarding the disclosure of information and data. We also monitor the market including through inspecting our competitors' websites and discussions with customers and suppliers in order to detect third-party violations of our intellectual property rights. In addition, we have in place confidentiality arrangements with our employees and business partners to ensure our intellectual property rights are protected.

The following table sets out a breakdown of our patents and software copyrights by type registered or filed in the PRC as at the Latest Practicable Date:

<u>Type of intellectual property</u>	<u>Registered</u>	<u>Filed and pending registration</u>
Patents:		
Inventions	3	20
Utility models	39	–
Registered designs	1	1
Software copyrights	69	–

Further details of the intellectual property rights which we consider material to our business are set out in “Statutory and General Information — Further Information about our Business — 9. Our intellectual property rights” in Appendix IV to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any intellectual property disputes, nor did we identify any suspected infringement of our intellectual property rights by third parties.

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### OUR SUPPLIERS

Our suppliers include manufacturers and distributors of semiconductor devices. We also engage contract manufacturers to assemble electronic components which we deliver to our customers as part of our solutions package. In 2015, 2016 and 2017, we had around 150, 200 and 220 suppliers, respectively, among which two, three and seven were contract manufacturers in the respective years.

### Purchases

Our purchases are primarily semiconductor devices and electronic components which consist of both active components and passive devices. Active components include integrated circuits, transistors, multi-component integrated circuits, sensors, and IGBT modules; passive devices include transformers, inductors, capacitors, and crystal oscillators. Our other purchases include stepper motors and connectors. We mainly source our semiconductor devices from various international suppliers, including Infineon. We import a substantial portion of semiconductor devices outside China, and in general we would arrange delivery of the products from the suppliers' warehouses outside China and the relevant customs clearance process.

The following table sets out the breakdown of our purchases denominated in renminbi and other currencies during the Track Record Period:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Renminbi	21,136	3.4%	78,984	7.9%	136,367	11.1%
Other currencies	592,767	96.6%	915,005	92.1%	1,089,490	88.9%
Total	<u>613,903</u>	<u>100.0%</u>	<u>993,989</u>	<u>100.0%</u>	<u>1,225,857</u>	<u>100.0%</u>

Our Directors confirm that during the Track Record Period, we had not experienced any major shortage or delay in the supply of semiconductor devices.

### Major suppliers

In 2015, 2016 and 2017, purchase from our five largest suppliers (inclusive of semiconductor devices suppliers as well as contract manufacturers) together accounted for 96.2%, 93.7%, 92.4% of our total purchases, respectively, while purchases from the largest supplier accounted for 86.1%, 83.7%, 81.0% of our total purchases for the respective years.

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The table below sets out our five largest suppliers, their respective rankings in terms of purchase amount during the Track Record Period and our years of relationships with them as at the Latest Practicable Date:

Supplier	Business nature of our supplier	Years of relationship (approximate)	Settlement terms	Transaction amount <i>(RMB'000)</i>	% of total purchase
<b>2015</b>					
1. Infineon <sup>(1)</sup>	Semiconductor devices supplier	12	20 days from the monthly statement date	528,790	86.1%
2. EPCOS <sup>(2)</sup>	Semiconductor devices supplier	8	15 days from the monthly statement date	35,457	5.8%
3. Supplier C <sup>(3)</sup>	Semiconductor devices supplier	8	30 days from the invoice date	14,767	2.4%
4. Chongqing LianDe <sup>(4)</sup>	Semiconductor devices supplier	14	Payment before delivery	6,846	1.1%
5. Supplier D <sup>(5)</sup>	Semiconductor devices supplier	4	Payment before delivery	4,674	0.8%
<b>2016</b>					
1. Infineon <sup>(1)</sup>	Semiconductor devices supplier	12	20 days from the monthly statement date	832,005	83.7%
2. EPCOS <sup>(2)</sup>	Semiconductor devices supplier	8	30 days from the monthly statement date	44,595	4.5%
3. Eolane China <sup>(6)</sup>	Contract manufacturer	3	90 days from the monthly statement date	24,892	2.5%
4. Supplier C <sup>(3)</sup>	Semiconductor devices supplier	8	Payment before delivery	18,986	1.9%
5. Chongqing LianDe <sup>(4)</sup>	Semiconductor devices supplier	14	60 days from the monthly statement date	10,772	1.1%
<b>2017</b>					
1. Infineon <sup>(1)</sup>	Semiconductor devices supplier	12	20 days from the monthly statement date	992,476	81.0%
2. Viasystems EMS (Shenzhen) Co., Ltd. <sup>(7)</sup>	Contract manufacturer	2	75 days from the invoice date	59,266	4.8%
3. EPCOS <sup>(2)</sup>	Semiconductor devices supplier	8	30 days from the monthly statement date	40,176	3.3%
4. Supplier C <sup>(3)</sup>	Semiconductor devices supplier	8	Payment before delivery	22,787	1.9%
5. Eolane China <sup>(6)</sup>	Contract manufacturer	3	90 days from the monthly statement date	18,526	1.5%

**Notes:**

- Infineon is engaged in the design, development, manufacture, and marketing of semiconductors and electronic system solution. See “— Our relationship with Infineon” below for further details.
- EPCOS Limited, together with its affiliated company EPCOS (Shanghai) Product Services Company Limited (愛普科斯(上海)產品服務有限公司), was one of our five largest suppliers during the Track Record Period. EPCOS Limited and EPCOS (Shanghai) Product Services Company Limited are subsidiaries of EPCOS AG, an electronic components manufacturer based in Germany and ultimately owned by TDK Corporation, the shares of which are listed on the Tokyo Stock Exchange (TYO: 6762).
- Supplier C is a subsidiary of a Japanese incorporated company and is engaged in, among others, electric equipment and components wholesale, distribution, import and export, and other supporting services.
- Chongqing LianDe (重慶聯德機電技術有限公司) is a company incorporated in the PRC and is engaged in the sale of electrical machinery and equipment, chemical products, building and materials, decorative materials, metal products, automotive parts, and motorcycle parts; electrical technology research; and business information consultancy.
- Supplier D is engaged in the distribution of IC products and is a subsidiary of a company listed on the Taiwan Stock Exchange.
- Eolane China (歐朗電子科技有限公司) is a subsidiary of Financière de l'Ombrée SAS, a France-based company engaged in the conception, the study and the manufacture of professional electronic materials.



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7. Viasystems EMS (Shenzhen) Co., Ltd. (惠亞電子科技(深圳)有限公司) is a company incorporated in the PRC and is engaged in the manufacture of data communication multimedia system equipment, access network communication system; assembly of circuit boards; and wholesale, import and export, and supporting services for such products.

During the Track Record Period, other than for Supplier C which tightened its credit terms to us, the credit terms granted by our major suppliers either remained unchanged or improved as our business with them expanded.

So far as is known to our Directors, none of our Directors or their respective close associates or any Shareholder (which to the knowledge of our Directors, owns 5% or more of our issued share capital) has any interest in any of our five largest suppliers during the Track Record Period.

During the Track Record Period, other than (i) Eolane China and Viasystems EMS (Shenzhen) Co., Ltd., which were our contract manufacturers, and which purchased certain semiconductor devices from us otherwise than used for assembling electronic parts under our contract manufacturing arrangements; and (ii) Infineon and EPCOS, to which we sold a small amount of samples, none of our five largest suppliers was also our customer. For details of our business relationships with contract manufacturers, see “— Our contract manufacturers” below.

In 2015, 2016 and 2017, our aggregated sales to Eolane China, Viasystem EMS (Shenzhen) Co., Ltd., Infineon and EPCOS represented 0.81%, 0.17% and 0.03% of our total revenue, respectively. During the Track Record Period, in general, where we conducted both sales and purchases with a supplier, the nature of the products we purchased from and that of the products we sold to such supplier were different.

### **Our relationship with Infineon**

Infineon was our largest supplier during the Track Record Period. Purchases from Infineon accounted for 86.1%, 83.7% and 81.0% of our total purchases in 2015, 2016 and 2017, respectively. Our purchases from Infineon primarily consist of semiconductor devices we offer to our customers as part of our solutions package.

Infineon Technologies AG, Infineon’s parent company, is a global semiconductor manufacturer listed on the Frankfurt Stock Exchange. It is engaged in the design, development, manufacture, and marketing of semiconductors and electronic system solutions. According to Infineon Technologies AG, it is a leading provider of system solutions for automotive electronics with decades of experience.

According to the annual report of Infineon Technologies AG, in its financial year ended 30 September 2017, revenue from the automotive segment was EUR2,989 million and contributed to approximately 42.3% of its total revenue; whereas revenue from the China market was EUR1,735 million and contributed to approximately 24.6% of its total revenue. According to Frost & Sullivan, Infineon’s market share in China’s automotive semiconductors industry in terms of sales value was approximately 17.7% in 2016, ranked second among its competitors. The automotive semiconductors provided by Infineon primarily include microcontrollers, power semiconductors and sensors.

It is our strategy to work with leading semiconductor manufacturers like Infineon to enable us to provide the most advanced solution products to our customers in a

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cost effective manner. Since the establishment of our relationship with Infineon in 2005, we have maintained close working relationship in the development of products and in the development of the market in China.

We entered into a non-exclusive distribution agreement with Infineon in 2016 pursuant to which we were authorized to distribute Infineon's automotive semiconductor devices in the PRC and Hong Kong. The agreement remained effective as at the Latest Practicable Date, and its principal terms and conditions are summarized as follows:

Duration	Unlimited.
Minimum purchase commitment	Nil.
Termination	Either party may terminate the agreement without cause by giving the other party three months' prior written notice, or by Infineon if we fail to reach the agreed performance targets or if we are otherwise in default of our obligations under the agreement.

In particular, our distribution agreement with Infineon sets out certain key performance indicators based on which to assess whether the performance targets mentioned above are complied with on a quarterly basis. Such key performance indicators include demand creation, point-of-sales revenue and operational compliance. Up to the Latest Practicable Date, we had not been penalized by Infineon of any failure to comply with the performance targets.

### ***The ship-and-debit programme***

We participate in Infineon's S&D Programme, under which we would purchase certain eligible products at price designated by Infineon (the "standard list price") which may be higher than the price at which we sell such products to our customers. For those eligible products, Infineon also maintains a separate price list setting out prices lower than the standard list price (the "S&D price"). Upon the sale and delivery of such eligible products to our customers, Infineon would grant us a credit representing the difference between the standard list price and the S&D price, which can be applied to offset our trade payable to Infineon.

In addition, price protection applies to eligible products under the S&D Programme, whereby in the event that Infineon lowers the standard list price, we would be granted a credit representing the difference between the original higher price and the adjusted lower price.

In 2015, 2016 and 2017, 49.1%, 59.2% and 61.3% of our purchases from Infineon for the respective years were under the S&D Programme.

Since our purchases are made at standard list price which may be higher than the price at which we sell such products to our customers, and we only receive credit that can be applied to offset our trade payables due to Infineon upon sales and delivery of such products, Infineon provides us with interest-free S&D Financing following the end of each quarter to account for the higher price (i.e. at the standard list price, as compared to the S&D price) we paid for eligible products under the S&D Programme during that quarter. The amount of the S&D Financing is calculated each quarter

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based on (i) the amount of credit granted by Infineon for the quarter under the S&D Programme; (ii) our sales amount of eligible products under the S&D Programme for the quarter; and (iii) our inventory balance in respect of products eligible under the S&D Programme. At the end of each quarter, the difference between the balance of the S&D Financing of that quarter and that of the preceding quarter would be settled in cash between Infineon and our Group.

Infineon provides the S&D Financing to compensate for our purchases at the standard list price (i.e., the price before any credit we are eligible to receive under the S&D Programme) for eligible products under the S&D Programme. Given that (i) our payment term to Infineon is 20 days from the monthly statement date; and (ii) the S&D Financing is paid to us after the end of each quarter and calculated, in part, based on our inventory balance at the end of that quarter, for a particular batch of products eligible under the S&D Programme, we have to settle the trade payables at the standard list price with Infineon *before* we receive the S&D Financing, and therefore we are unable to utilize and do not rely on the S&D Financing to cover the purchase costs of that batch of products. Therefore, we consider it unnecessary to identify alternative means of financing in the event that the S&D Financing were terminated. Further, we consider it unlikely that Infineon would terminate the S&D Financing so long as the S&D Programme continues to be in effect. We are not aware of any intention on the part of Infineon to terminate the S&D Programme or the S&D Financing programme.

As at 31 December 2015, 2016 and 2017, the balance of S&D Financing due to Infineon was RMB36.5 million, RMB46.2 million and RMB73.7 million, respectively. The increase in balance of S&D Financing was, in general, attributable to our increased purchases from Infineon.

In the event of termination of the S&D Programme or the termination of our distribution agreement with Infineon, all S&D Financing shall be returned to Infineon upon written demand. See “Financial Information — Description of Selected Balance Sheet Items — Other payables and accruals” and “Risk Factors — Risks Relating to our Business and Industry — We participate in ship-and-debit programme and receive financing from Infineon, and we may be obliged to return the outstanding balance of such financing if our ship-and-debit programme or distribution agreement with Infineon is terminated” for the related risks.

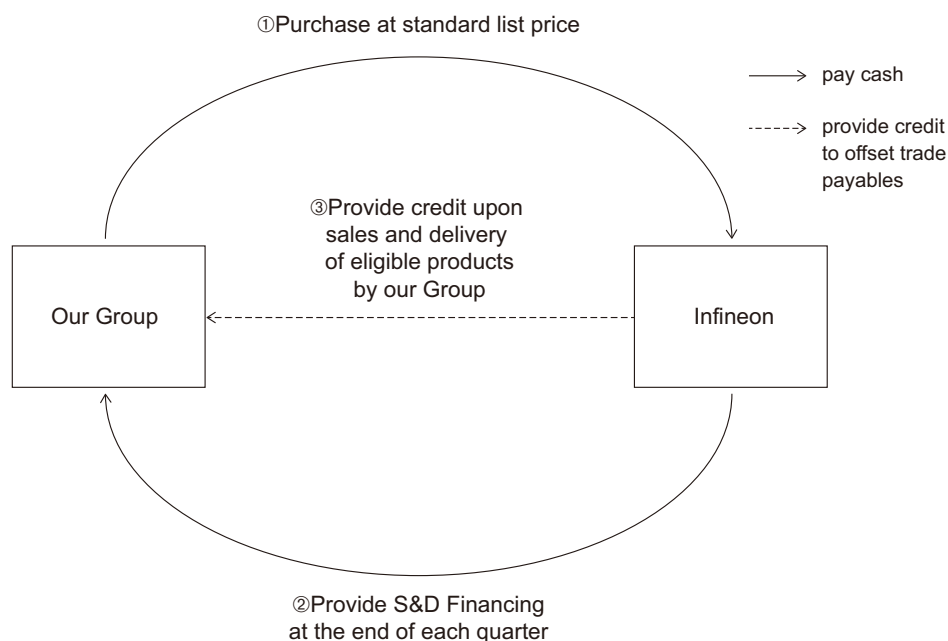
According to Frost & Sullivan, the S&D Programme and the S&D Financing are an established business practice in the semiconductor industry as a means adopted by semiconductor manufactures to manage their distributors to prevent any undesired price erosion. As credits are only granted to distributors after products are ultimately sold and delivered to the end customers, this incentivizes distributors to complete the onwards sale and at the same time provides the semiconductor manufactures with more control over the entire distribution process. We understand that Infineon also has similar arrangements in place with other distributors.

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The flowchart below illustrates the general operation of the S&D Programme and S&D Financing:



### ***Our mutually beneficial relationship with Infineon***

We are Infineon's largest distributor in the automotive segment in Greater China. We first entered into a distribution agreement with Infineon in 2005 for the sale of Infineon's automotive semiconductor devices in China. Since then, we have established a strategic partnership with Infineon to develop the China market. We believe that Infineon values our relationship with domestic OEMs in China and our knowledge of the local automotive industry, as evidenced by the recognitions we have received from Infineon as a distributor over the years. Infineon is a semiconductor manufacturer and its products cover a broad range of applications including cellular infrastructure, data processing, home appliances, smart card and security, among others, and automotive is only one of such applications. According to Infineon's annual report, it reaches many small customers through distributors and is seeking to increase their leverage of the potential of the distribution channel in part by emphasizing close partnership with distributors. Infineon may also engage in direct sales to some of its key customers. For the PRC automotive semiconductors segment, we understand that it is part of Infineon's strategy to cooperate with distribution partners in the automotive segment in Greater China through which it maintains business relationships with China's domestic OEM names, and Infineon currently mainly relies on distributors including us to service the domestic OEMs and their suppliers. We believe that our customers value our long-term relationship with Infineon.

According to Frost & Sullivan, the automotive electronics solutions sector is a technology intensive industry, in which only suppliers with strong research and development capabilities, accumulated know-how and experience can capture market share among strict competition. These technology advantages are established after a long period of development and practices, and it is difficult for new entrants to overcome such barriers in a short time. In addition, according to Frost & Sullivan, considering the electronic components' safety and quality, together with considerable cost to change suppliers, OEMs and their suppliers tend to maintain a long-term

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relationship with selected automotive electronics solutions providers, such as our Group. In order to ensure a sustainable and stable sales in China market, and to promote their brand through efforts of automotive electronics solution providers, manufacturers of semiconductor devices, such as Infineon, are also motivated to remain a good partnership with local automotive electronics solutions providers in China. And thus those automotive electronics solutions providers who have a solid and quality customer base generally enjoy a bargaining power with both their downstream customers, as well as their upstream suppliers.

Accordingly, given our market position and in-depth industry knowledge accumulated over the years, we believe that it could be time consuming and costly for Infineon to identify substitute distribution partners, whether they are new entrants or existing players in the market, to completely replace us. According to Frost & Sullivan, the majority of distributors of Infineon's products in China specialize in distribution rather than providing automotive electronics solutions like our Group. According to Frost & Sullivan, such distributors cannot quickly establish their presence in this segment for two reasons: (i) the automotive electronics solutions market has high capital and technology barriers, which require players to make continuous and substantial investment in research and development to adapt to a rapidly changing market; and (ii) domestic OEMs generally prefer partners with proven track records and accumulated extensive cooperation experience, which poses high barrier for emerging players. In this regard, according to Frost & Sullivan, our strong technological edges and our close relationship with domestic OEMs demonstrate our current significant role in promoting Infineon's automotive semiconductor devices in China.

As disclosed in "Industry Overview — Functions of Automotive Electronics Solutions Providers in China — Competitive landscape", according to Frost & Sullivan, while certain Tier 1 suppliers have their own capability to conduct research and development activities, it is common that they also work closely with independent automotive electronics solutions providers like us who have expertise in specific areas that they may not have. In particular, Tier 1 suppliers are more willing to work together with independent automotive electronics solutions providers since some of them invest less in research and development. With our in-depth understanding of the domestic automotive industry in the PRC, we believe that our business relationship with Infineon is mutually beneficial and complementary, and that it may not necessarily be economical for Infineon to directly engage our customers, including the numerous Tier 1 suppliers in the PRC automotive market.

According to Frost & Sullivan, the upstream automotive semiconductor manufacturing industry in China is very concentrated with several foreign brands occupying a majority of the market share. In 2016, the top five market players, including Infineon, accounted for an aggregate market share of around 67.9% in terms of sales volume, and with a market share of 17.7%, Infineon was the second largest automotive semiconductor devices manufacturer in China.

According to Frost & Sullivan, due to the high concentration in the automotive semiconductor devices manufacturing industry, it is an industry norm that automotive electronics solutions providers have reliance on particular upstream supplier(s) in terms of raw material purchase or their core technology. While there exist products in the market which can be used as substitutes for Infineon's semiconductor devices, it is our conscious business decision to mainly focus on adopting Infineon's products due to our long and successful relationship with Infineon, Infineon's advanced automotive electronic technology, and our considerable experience in adopting semiconductor devices manufactured by Infineon.

***Availability of substitute suppliers and our decreasing level of reliance on Infineon***

Our purchases from Infineon as a percentage of our total purchases decreased from 86.1% in 2015 to 81.0% in 2017. It is our goal to further reduce the percentage of our purchases from Infineon out of our total purchases to around 70% in the next three years.

During the Track Record Period, we also purchased semiconductor devices from approximately 70 suppliers other than Infineon. EPCOS and Supplier C from which we purchased semiconductor devices were among our five largest suppliers. We have more than eight years of working relationships with each of EPCOS and Supplier C. In 2015, 2016 and 2017, our purchases from EPCOS amounted to RMB35.5 million, RMB44.6 million and RMB40.2 million, respectively; whereas our purchases from Supplier C amounted to RMB14.8 million, RMB19.0 million and RMB22.8 million, respectively.

In 2017, we became an authorized distributor in China for a Japan-based global electronics manufacturer in respect of its automotive electronic components. During the Track Record Period, we developed certain solutions incorporating this supplier's semiconductor devices. One example is a BMS solution for use in new energy vehicles, the overall costs of which are comparable to a similar solution based on Infineon's products. We are also looking to further strengthen the cooperation with this Japanese supplier, which we believe recognizes our technical capabilities as evidenced by our research and development cooperation agreement with them on a joint patent application. See "— Research and Development — Cooperation agreements in research and development" for details.

We are capable of developing solutions which primarily adopt semiconductor devices sourced from manufacturers other than Infineon, and have been offering such solutions to our customers. During the Track Record Period, these included, without limitation, solution products applied in certain temperature sensors using semiconductor devices manufactured by EPCOS, and certain solution products for power distribution using semiconductor devices manufactured by Supplier C.

Considering that we expect to (i) increase the branding diversification of semiconductor devices we supply to our customers by strengthening cooperation with existing suppliers such as EPCOS and Supplier C and exploring opportunities to cooperate with new business partners, and (ii) increase our purchases from contract manufacturers as we expand our sales of components to customers, we believe that the risks of specializing in Infineon's products to the continuity of our business are controllable, as we believe substitute products are available. We will also strive to actively identify and consider purchasing from other manufacturers with suitable product offerings as we continue to enrich our solutions portfolio.

In 2015, 2016 and 2017, our revenue generated from the sales of solution products in the form of electronic components amounted to RMB2.6 million, RMB49.7 million and RMB153.1 million, respectively.

While any disruption or termination of supply of semiconductor devices directly from Infineon will have an impact on our operations and we may suffer a temporary loss in revenue as a result, we believe we will be able to source supply of semiconductor devices under the Infineon brand from other distributors of Infineon. In such cases, we expect that our procurement costs will increase. If supply from

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Infineon is disrupted for a prolonged period of time, we believe that it may become more cost effective to source from other manufacturers, and we expect to be able to source alternative supply from other suppliers and adjust our solutions in approximately one to three months.

Our Directors confirm that from 2005 up to the Latest Practicable Date, there was no major interruption and no material dispute in respect of our distribution agreement with Infineon.

### ***Our ability to maintain our revenue***

We believe that considering the favourable industry trends including the overall growth of the PRC automotive industry, tightened regulatory requirements and increasing consumers' demand for smart features in vehicles, and benefiting from our strong research and development capabilities and engineering expertise, we are well positioned to continue capturing future growth opportunities in a number of areas in the automotive industry. In view of the positive outlook of the PRC automotive industry, our Directors believe that we should be able to maintain our revenue in the foreseeable future, notwithstanding our current level of reliance on Infineon. See "Industry Overview" and "— Our Strengths" above for details.

For a discussion of the risks relating to our reliance on Infineon, see "Risk Factors — Risks Relating to our Business and Industry — We rely heavily on Infineon for its supply of semiconductor devices. If we are unable to maintain our relationship with Infineon, or should there be any disruption to the supply or an increase in the purchase price of Infineon's products, our business, financial condition, and results of operations would be materially and adversely affected" and "Risk Factors — Risks Relating to our Business and Industry — We rely on the core technology and market recognition of Infineon and its products".

### **Our relationship with EPCOS**

The principal terms and conditions of the distributorship agreement we entered into with EPCOS in 2017 and which remained effective as at the Latest Practicable Date are summarized as follows:

Duration	The agreement is effective from 1 April 2017 for a term of one year and may be, and has been automatically be extended for 1 year upon written confirmation by both parties 1 month before the expiry date. The agreement has been extended prior to the end of the first year's term.
Payment terms	Payment terms are to be mutually agreed in each purchase order.
Delivery	The main delivery terms are to be mutually agreed in each purchase order.

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Termination	Either party may terminate the agreement for important reasons, such as material breach of obligations under the agreement and failure to remedy such breach after receipt of written notice from the terminating party, insolvency or bankruptcy of either party, or substantial change in our legal or ownership status or management such that EPCOS cannot reasonably be expected to adhere to the agreement. Furthermore, EPCOS can terminate the agreement in the event that we acquire an interest in or dominant influence over a company competing with EPCOS, or a company acquires over 5% of our capital or voting rights.
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### **Our contract manufacturers**

We are not involved in manufacture and assembly, given our strategy to focus on developing solutions and avoid substantial capital expenditures. In the case where our customer requires delivery of electronic components as part of our solutions package, we outsource the assembly processes to independent contract manufacturer who would be responsible for the manufacture and assembly of the electronic components in accordance with our design and specifications and for delivery of the assembled electronic components to our customer. All of our contract manufacturers are located in China.

In 2015, 2016 and 2017, our total purchases from contract manufacturers amounted to RMB106,000, RMB27.8 million and RMB91.4 million, respectively.

Owing to the stringent quality requirements, we only engaged a handful of contract manufacturers during the Track Record Period. However, we believe there are alternative manufacturers which are readily accessible in the market. We had two, three and seven contract manufacturers in 2015, 2016 and 2017, respectively. Among our five largest suppliers in 2015, 2016 and 2017, nil, one and two were contract manufacturers.

We usually enter into a framework agreement with contract manufacturers for a fixed term of one year. Typically we are required to pay our contract manufacturers within 90 days of the invoice date. We require our contract manufacturers to sign separate agreements on quality standards, which require our contract manufacturers to comply with management quality standards such as ISO/TS16949, among other things. The contract manufacturers may be required to compensate us for any loss resulting from their failure to adhere to those standards. In most cases our contract manufacturers are responsible for the procurement of most of the materials required for the assembly of the electronic components (apart from some key devices in some cases) and they charge us processing fees.

We conduct thorough evaluation of our potential contract manufacturers based on a number of factors, including their track record, reputation, quality management capabilities, project management capabilities, location proximity, fees, reliability of on-time delivery and financial situation. We grade potential contract manufacturers against these criteria, and we will attribute an overall score. Based on our



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comprehensive assessment, we decide whether the contract manufacturer meets our qualification requirements.

We maintain an approved list of contract manufacturers that meet our criteria, which we review regularly. During the review, we may remove any contract manufacturers that fail to meet our standards and may add new suppliers to our list according to our assessment of their performance.

### Inventory management

During the Track Record Period, our inventories primarily consisted of semiconductor devices and electronic components. We monitor and control our inventory level so as to avoid stock-out and reduce the risk of over-stocking and accumulating obsolete stock. Considering that we import our semiconductor devices from overseas, we generally target to maintain an inventory level that is sufficient for the next two to three months' usage by taking into account the periodic purchase forecast submitted to us by our customers and our sales in the past 12 months.

The following table sets out an ageing analysis of our inventory as at the dates indicated:

	As at 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Less than 3 months	104,631	142,717	191,686
3 to 6 months	14,291	38,495	30,190
6 to 12 months	11,401	23,402	45,204
Over 1 year	7,260	15,953	20,581
Total	<u>137,583</u>	<u>220,567</u>	<u>287,661</u>

Our average inventory turnover days in 2015, 2016 and 2017 were approximately 67.6 days, 72.1 days and 79.7 days, respectively. See “Financial Information — Description of Selected Balance Sheet Items — Inventories” for details. We did not experience any material shortage in inventory during the Track Record Period and as at the Latest Practicable Date.

Of our inventory balance of RMB287.7 million as at 31 December 2017, approximately 66.7% or RMB191.8 million had been used as at the Latest Practicable Date. See “Financial Information — Description of Selected Balance Sheet Items — Inventories” for details of our subsequent sales of our inventories.

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We have formulated inventory management policies. Upon receipt of inventory delivery, the responsible warehouse staff performs physical stock counts and conducts inspections on the batch of inventories and places label to identify the relevant inventory type and delivery date of such batch. We keep our inventories in the warehouses, and the inventory movements are monitored and analysed through our business information system.

See “Financial Information — Description of Selected Balance Sheet Items — Inventories — Net realizable value and write-down of inventories” for details of our inventories provision movements and policy.

### OUR CUSTOMERS

We offer our solutions primarily to OEMs and their suppliers in the automotive industry, and to a relatively minor extent, customers in the industrial sector. Our customers are primarily based in the PRC. In 2015, 2016 and 2017, we generated 99.2%, 99.1% and 97.9% of our total revenue for the respective years from customers located in the PRC. The following table sets out the number of our customers by types with whom we had transactions for the years indicated:

	Year ended 31 December		
	2015	2016	2017
OEMs	24	27	36
OEM suppliers	608	717	874
Others	40	42	46
<b>Total</b>	<b>672</b>	<b>786</b>	<b>956</b>

The following table sets out a breakdown of our revenue by customer type for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
OEMs	142,673	19.5%	189,756	16.5%	184,892	12.5%
OEM suppliers	553,646	75.6%	867,929	75.5%	1,121,664	76.1%
Others	27,017	3.7%	86,997	7.5%	144,330	9.9%
Add:						
Rendering of services	8,926	1.2%	5,491	0.5%	22,598	1.5%
<b>Total revenue</b>	<b>732,262</b>	<b>100.0%</b>	<b>1,150,173</b>	<b>100.0%</b>	<b>1,473,484</b>	<b>100.0%</b>

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### Major customers

In 2015, 2016 and 2017, our five largest customers accounted for 33.4%, 32.1% and 28.3% of our total revenue for the respective periods, while the largest customer accounted for 18.5%, 12.5% and 8.5% of our total revenue for the respective periods.

The table below sets out our five largest customers and their respective rankings in terms of sales amount during the Track Record Period and our years of relationships with them as at the Latest Practicable Date:

Customer	Business nature of our customer	Years of relationship (approximate)	Settlement terms	Transaction amount	% of total sales
				<i>RMB'000</i>	
<b>2015</b>					
1. Shenzhen BYD Supply Chain Management Co., Ltd. <sup>(1)</sup>	OEM	12	30 days from the monthly statement date	135,589	18.5%
2. Kimball Electronics (Nanjing) Co., Ltd. <sup>(2)</sup>	Electronics manufacturing	9	90 days from the invoice date	37,903	5.2%
3. Huayu Automotive Electric System Co., Ltd. <sup>(3)</sup>	Automotive parts supplier	5	60 days from the monthly statement date	25,159	3.4%
4. Sate Auto Electronic Co., Ltd. <sup>(4)</sup>	Automotive parts supplier	11	60 days from the monthly statement date	24,250	3.3%
5. Inspur Electronic Information Industry Co., Ltd. <sup>(5)</sup>	Data centre and cloud computing solutions provider	4	60 days from the monthly statement date	21,819	3.0%
<b>2016</b>					
1. Shenzhen BYD Supply Chain Management Co., Ltd. <sup>(1)</sup>	OEM	12	30 days from the monthly statement date	144,072	12.5%
2. Inspur Electronic Information Industry Co., Ltd. <sup>(5)</sup>	Data centre and cloud computing solutions provider	4	60 days from the monthly statement date	77,611	6.7%
3. Kimball Electronics (Nanjing) Co., Ltd. <sup>(2)</sup>	Electronics manufacturing	9	90 days from the invoice date	65,626	5.7%
4. UTE	Automotive parts supplier	12	30 days from the monthly statement date	47,182	4.1%
5. BAIC BJEV	OEM	4	60 days from the monthly statement date	34,708	3.0%
<b>2017</b>					
1. Shenzhen BYD Supply Chain Management Co., Ltd. <sup>(1)</sup>	OEM	12	30 days from the monthly statement date	125,203	8.5%
2. Inspur Electronic Information Industry Co., Ltd. <sup>(5)</sup>	Data centre and cloud computing solutions provider	4	60 days from the monthly statement date	123,690	8.4%
3. UTE	Automotive parts supplier	12	30 days from the monthly statement date	61,194	4.2%
4. Beijing Hangbo New Energy Co., Ltd. <sup>(6)</sup>	Automotive parts supplier	1	30 days from the invoice date	55,355	3.8%
5. Kimball Electronics (Nanjing) Co., Ltd. <sup>(2)</sup>	Electronics manufacturing	9	90 days from the invoice date	51,262	3.5%

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*Notes:*

1. Shenzhen BYD Supply Chain Management Co., Ltd. (深圳市比亞迪供應鏈管理有限公司) is a subsidiary of BYD, a company incorporated in the PRC whose shares are listed on the Main Board of the Hong Kong Stock Exchange (1211.HK) and the Shenzhen Stock Exchange (SHE: 002594). BYD is engaged in the automobiles business including the production and sales of new energy vehicles and traditional fuel vehicles, the handset components and assembly business, the rechargeable batteries and photovoltaic business.
2. Kimball Electronics (Nanjing) Co., Ltd. (精博電子(南京)有限公司) is a subsidiary of Kimball Electronics, Inc. the shares of which are listed on NASDAQ (NASDAQ:KE). Kimball Electronics (Nanjing) Co., Ltd. designs and manufactures electronic components including PCB-A and sub-assemblies.
3. Huayu Automotive Electric System Co., Ltd. (華域汽車電動系統有限公司) is company incorporated in the PRC and a joint venture between Huayu Automotive Systems Company Limited (a subsidiary of SAIC Motor Corporation Limited), Aerospace Science & Industry Haiying Group, and Guizhou Aerospace Industry Company (each a subsidiary of China Aerospace Science and Industry Corporation). Huayu Automotive Electric System Co., Ltd. specializes in new energy vehicle drive motor's research and development, and manufacturing.
4. Sate Auto Electronic Co., Ltd (蘇州駛安特汽車電子有限公司) is a company established in the PRC and specializes in the research and development, manufacture and sale of automotive electronic products.
5. Inspur Electronic Information Industry Co., Ltd. is a global data centre and cloud computing solutions provider and whose shares are listed on the Shenzhen Stock Exchange (SHE:000977).
6. Beijing Hangbo New Energy Co., Ltd. (北京航博新能科技有限責任公司) is a company established in the PRC and specializes in the research and development and manufacture of automotive parts.

Save for Mr Luk's and Mr Chan's interests in UTE, so far as is known to our Directors, none of our Directors or their respective close associates or any Shareholder (which to the knowledge of our Directors, owns 5% or more of our issued share capital) has any interest in any of our five largest customers during the Track Record Period. See "Connected Transaction" for our business relationship with UTE.

During the Track Record Period, UTE was also our supplier. We purchased a small amount of electronic components from UTE and engaged UTE to process electronic components we supply to our customers. In 2015, 2016 and 2017, our purchases from UTE amounted to approximately RMB125,000, RMB343,000 and RMB8,000, respectively, representing 0.02%, 0.03% and 0.00% of our total cost of sales of the respective years. As disclosed in "Relationship with Controlling Shareholders", there exists delineation between our business and UTE's. We purchased from UTE a small amount of products we sold to customers given that we have no manufacturing capabilities. Other than UTE, none of our five largest customers during the Track Record Period was also our supplier. During the Track Record Period, in general, where we conducted both sales and purchases with a customer, the nature of the products we purchased from and that of the products we sold to such customer were different.

Sales of our solution products are usually made on individual purchase orders, which typically specify a number of key terms, such as product specification, unit price, volume and delivery time. Our trading terms with customers are mainly on credit. The credit period is generally within three months. Each customer has a maximum credit limit, and each customer's credit limit depends on factors such as our relationship with the customer, the customer's credit record and market practice.

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The principal terms and conditions of the automotive components and materials purchase agreement BYD entered into with us in 2014 and which remained effective as at the Latest Practicable Date are summarized as follows:

Duration	Unlimited.
Placement of orders	BYD shall submit delivery notices or purchase orders to us on a regular basis and shall notify us every week their demand forecast for the next eight weeks. We shall deliver the requested products to BYD's location in accordance with the delivery notices or purchase orders. The final purchase volume shall be determined by BYD's actual use of the delivered products.
Payment terms	The payment for products delivered shall be settled by the end of the third month from delivery.
Penalty	If our failure to deliver the required products on time or quality defects in our delivered products results in suspension of BYD's production, we are required to pay damages to BYD.
Termination	The agreement is automatically terminated when the parties discontinue cooperation.

For the research and development consultancy services that we provide, we generally charge our customers fees payable by stage. In a typical research and development consultancy service contract with our customer, we receive an advance payment at the beginning of the project from the customer with the balance of the payments to be made upon completion of the entire project.

## SALES AND MARKETING

Our marketing efforts are focused on locating the nexus between our solution offerings and technical capabilities on one hand, and our business partners' development direction on the other. To this end, we actively reach out to potential customers whom we identify through different mediums including through referrals from OEMs.

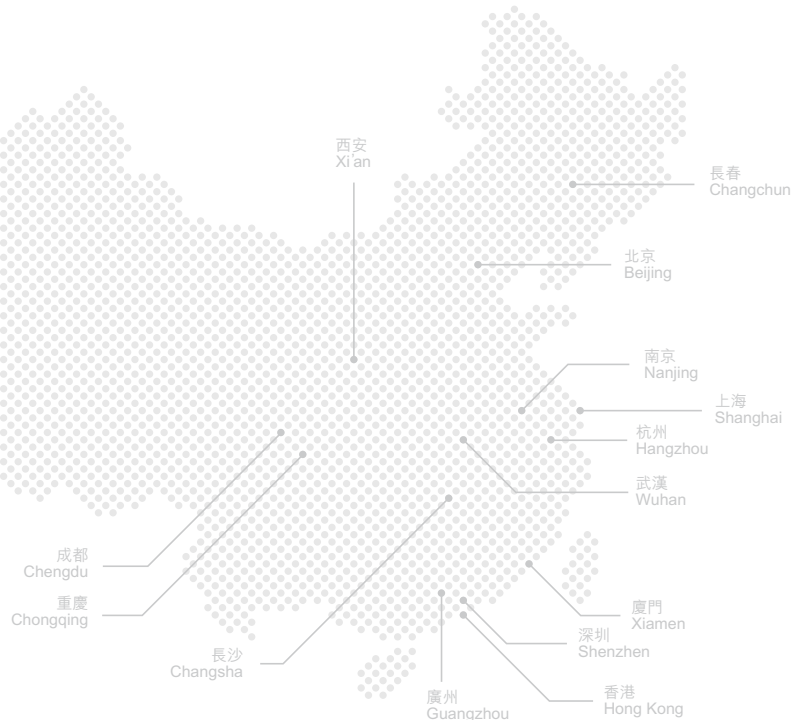
Further, our geographical presence is strategically planned to allow us to maintain close proximity to the locations of OEMs and their suppliers. We seek to actively communicate with OEMs to identify and understand their requirements as demand for a particular product feature arises. We have a specialized OEM business development department consisting of five staff members as at 31 December 2017. The department seeks to work closely with OEMs' research and development personnel and introduce our latest solution offerings which satisfy OEMs' technical requirements. The department also seeks to identify potential Tier 1 suppliers for a particular project or products.

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We have established presences in 14 major cities in Greater China including Shanghai, Beijing, Chongqing, Xi'an, Changchun, Guangzhou and Shenzhen. The following map illustrates our presence in Greater China as at the Latest Practicable Date:



### Seasonality

Our sales are seasonal as they are correlated to the sales of automobiles in the PRC. While the OEMs in the PRC generally have their peak season in the Chinese New Year which takes place in January or February each year, our sales increase in the fourth quarter of each year in order to meet increasing production demand of the OEMs. In 2015, 2016 and 2017, our sales in the fourth quarter accounted for 33.4%, 33.6% and 33.0% of our total revenue of the respective years.

### Pricing policy

We generally adopt a cost-plus pricing method. Our pricing policy takes into account a number of factors, including (i) purchase costs; (ii) design complexities of solutions; (iii) processing fees; (iv) logistics costs; (v) exchange rate; and (vi) taxes. During the Track Record Period, given that we expensed all research and development costs, we applied a universal simplified mark-up pricing policy across all solution categories, and we expect to continue to do so in the foreseeable future. We periodically review our pricing policy based on our customers' acceptance and market practice, among other things. Accordingly, we believe we are able to effectively pass through price fluctuations of semiconductor devices to our customers. During the Track Record Period, we were able to maintain our gross profit margin at over 20%. In order to protect ourselves from fluctuations in foreign exchange rates, in respect of our sales denominated in renminbi, our quotations and sales contracts may contain provisions stipulating that the quoted or agreed price (as the case may be) shall be renegotiated if the foreign exchange rates fluctuate beyond a certain level.

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The life cycle of our solutions generally follows the life cycle of a vehicle part and therefore varies. According to Frost and Sullivan, automotive semiconductor components have a finite life cycle and may become obsolete in a few years' time. Due to the continuous emergence of new products, the prices of existing products tend to exhibit a downward trend since their market launch. Therefore, it is important for us to launch new solutions so as to maintain our competitive edge.

### **RETURNS AND WARRANTY**

Our normal practice is to allow return only if our solution products are proven defective. As such, product return is relatively infrequent, and during the Track Record Period, we did not have any major product returns.

### **INSURANCE**

As at the Latest Practicable Date, we maintained policies which cover potential losses or damages in respect of our operations. These policies cover, among other things, damages to building, machineries, furniture and our vehicles. We believe our insurance coverage is adequate for businesses of our size and type and generally in line with the usual industry norm. However, there may be certain risks for which we are not insured and we may not have sufficient insurance coverage for damages and liabilities that may arise in the course of our business operations.

For further details, see "Risk Factors — Risks Relating to our Business and Industry — We may be subject to product liability claims and we may not have sufficient insurance to cover such contingencies. If we incur substantial liabilities and they are not covered by our insurance policies, or if the claims lead to litigation, government fines or penalties, our business, financial condition, results of operations, and reputation could be materially and adversely affected".

### **HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS**

We are not subject to any significant health, safety or environmental risks. We do not operate any production facilities or transportation, as we engage third parties to transport our solution products. We operate three warehouses in Hong Kong Shanghai and Guangzhou to store our inventories which primarily comprise semiconductor devices and electronic components.

During the Track Record Period and up to the Latest Practicable Date, there was no incident jeopardizing the health and safety of our employees during our operation, neither was there any penalty or fine in connection with the breach of any environmental or safety laws or regulations imposed on us. During the Track Record Period, the costs incurred in the compliance with the relevant safety laws and regulations in the PRC were minimal.

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### AWARDS AND RECOGNITIONS

The table below sets out some of our major awards and recognitions:

Year	Awards/Recognitions	Issuing Entities
2017	G-Pulse's new energy vehicle powertrain inverter solution successfully passed the ISO 26262 functional safety assessment	TÜV SÜD
2016	We were awarded the "Pudong New Area Research and Development Institution" certificate and received government grants as a "Key Corporate Research and Development Institution"	Science and Technology Committee of the Pudong New Area
2016	Our IGBT driver project was recognized as a Shanghai Hi-tech Achievement Transfer Project	Shanghai Science and Technology Committee
2016	Our research and development project on a vehicle controller for new energy vehicles was awarded government grants from Shanghai's Zhangjiang National Innovation Demonstration Zone	Administrative Committee of the Zhangjiang National Innovation Demonstration Zone, Shanghai
2016	Our converter security unit technology transfer project was awarded government grants from Shanghai's Zhangjiang National Innovation Demonstration Zone	Administrative Committee of the Zhangjiang National Innovation Demonstration Zone, Shanghai
2015	Shanghai Intron was awarded grants from the "Growing Giant of Technology" fund	Shanghai Science and Technology Committee
2015	Our research and development project on a battery management system for new energy vehicles was awarded government grants from Shanghai's Zhangjiang National Innovation Demonstration Zone	Administrative Committee of the Zhangjiang National Innovation Demonstration Zone, Shanghai



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Year	Awards/Recognitions	Issuing Entities
2011	G-Pulse was first recognized as a High and New Technology Enterprise	Shanghai Science and Technology Committee; Shanghai Municipal Finance Bureau; Shanghai Municipal Office, State Administration of Taxation; and the Shanghai Municipal Bureau of Local Taxation
2010	Shanghai Intron was first recognized as a High and New Technology Enterprise	Shanghai Science and Technology Committee; Shanghai Municipal Finance Bureau; Shanghai Municipal Office, State Administration of Taxation; and the Shanghai Municipal Bureau of Local Taxation

### Recognitions by business partners

The table below sets out some of the major recognitions we received from our business partners:

Year	Recognition	Business partner
2016	Leading ATV Demand Creation Performance Distribution Partner	Infineon
2016	Industrial Power Control Award of Merit	Infineon
2016	Excellent Supplier	BYD

### COMPETITION

According to Frost & Sullivan, there are three types of market participants that perform the research and development and design work of automotive electronic products, namely the electronics design departments of automobile manufacturers, the research and development departments of automotive electronic product manufacturers, and independent automotive electronics solution providers such as our Group.

While according to Frost & Sullivan, there are not many independent automotive electronics solution providers in the PRC with considerable business scale, we face competition from downstream sectors as OEMs and their suppliers seek to strengthen their in-house research and development capabilities.

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According to Frost & Sullivan, we may also face competition from foreign suppliers. Recognizing the market potential, global suppliers of chips, semiconductors, and electronic products are expanding their business coverage into the PRC market and may become rivals for domestic automotive electronics solution providers.

### EMPLOYEES

As at 31 December 2017, we had a total of 354 and 21 employees in the PRC and Hong Kong, respectively. The following table sets out the number of our employees by function as at the dates indicated:

<u>Function</u>	<u>As at 31 December</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Sales and marketing	31	42	46
Research and development	113	165	230
Customer services and logistics	31	42	42
Management, administration and support	43	46	57
<b>Total</b>	<b>218</b>	<b>295</b>	<b>375</b>

We recruit employees based on their educational background, relevant experience in similar positions and professional qualifications, as well as our expansion strategy and job vacancies. The remuneration package for our employees generally includes salary and bonuses. We believe the salaries and bonuses our employees receive are competitive with market rates. As required by applicable PRC regulations, we participate in various employee benefit plans that are organized by municipal and provincial governments, including housing provident fund, pension, medical and unemployment benefit plans. We are required under PRC law to make contributions to the employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the respective local government authorities where we operate from time to time. For our employees in Hong Kong, we operate a defined contribution Mandatory Provident Fund retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in such scheme. We believe that we have complied with the relevant labour and social welfare laws and regulations in the PRC and Hong Kong in all material respects.

We place strong emphasis on providing training to our employees in order to enhance their technical and industry knowledge as well as their understanding of industry quality standards. We design and offer different training programmes for our employees at various positions.

During the Track Record Period, we had not experienced any major disputes with our employees and we believe that we maintain a good working relationship with our employees. To align the interests of our key employees and Shareholders, we have adopted the Share Option Scheme for the primary purpose of providing incentives to our employees. A summary of the principal terms of the Share Option Scheme is set

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out in “Statutory and General Information — Other Information — 13. Share Option Scheme” in Appendix IV to this prospectus.

We currently recruit our employees primarily through advertisements posted on recruitment websites.

### PROPERTIES

#### Owned property

As at the Latest Practicable Date, we owned one property in Shanghai with a gross floor area of approximately 288.3 sq.m. We use the property as our office. Our PRC Legal Advisers have confirmed that we have obtained the land use right and building ownership certificates for this property. This property, with a carry amount of RMB771,000 as at 31 December 2017, is mortgaged to a bank as security for certain of our bank loans.

#### Leased properties

As at the Latest Practicable Date, we leased a total of 17 properties in the PRC from independent third parties. These leased properties are located in Beijing, Changchun, Chongqing, Guangzhou, Shanghai, Shenzhen, Wuhan, and Xi’an and with a total gross floor area of approximately 9,264.2 sq.m. The leased areas ranged from approximately 50.0 sq.m. to 1,948.7 sq.m. The relevant lease agreements have lease expiration dates ranging from 2018 to 2022. We use these properties as our office, research centre and warehouse.

Our PRC Legal Advisers have advised us that all PRC leased properties have valid title certificates except for three properties which we use as our office with a gross floor area of approximately 1,107.38 sq.m. in respect of which the lessor has not yet obtained the property ownership certificate. Our PRC Legal Advisers are of the opinion that the validity of these three leases without valid title certificate is uncertain. In the event that any of the leases is proved to be invalid and we are required to vacate the property, we will search for new premises to relocate our relevant offices. We do not expect such relocation will cause any material adverse impact on our business given that these properties are only used as offices and they are not crucial to the operation of our Group taken as a whole. In addition, the lease agreements with respect to 11 of our leased properties in the PRC (with a total gross floor area of 4,685.03 sq.m. and accounting for approximately 50.57% of the total gross floor area of our leased properties in the PRC) have not been registered and filed with the relevant land and real estate administration bureaus in the PRC. While we have tried to rectify the situation, the lessors of these properties are reluctant in assisting with the filing process. The failure to complete the registration and filing of lease agreements will not affect the validity of such leases, although we, as the lessee, might be subject to administrative fines of no more than RMB110,000 in aggregate, which will not have any material adverse impact on our business operations.

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As at the Latest Practicable Date, we also leased three properties in Hong Kong with a total gross floor area of approximately 808.7 sq.m. for use as office and warehouse. The leased areas ranged from approximately 134.9 sq.m. to 410.4 sq.m. The relevant lease agreements have lease expiration dates ranging from 2019 to 2020.

We do not engage in any property activities as defined in Rule 5.01 of the Listing Rules. As at 31 December 2017, no single property interest had a carrying value exceeding 15% of our total assets.

### COMPLIANCE WITH PRC LAWS

As advised by our PRC Legal Advisers, we have obtained all the relevant licences, permits, and approvals in relation to our operation in the PRC. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not commit any material breaches or violations of laws or regulations in the PRC applicable to us which would have had a material adverse effect on our business or financial condition.

### LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on our results of operations or financial condition.

### RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

We have established a set of risk management measures and internal control policies to identify, evaluate and manage risks arising from our operations prior to Listing.

We have also formed an audit committee comprising three INEDs as part of our measures to improve corporate governance. The primary duties of the audit committee are to provide our Directors with an independent review of the effectiveness of our financial reporting process, internal control, and risk management system, to oversee the audit process, and to perform other duties and responsibilities as assigned by our Directors. We plan to continue strengthening our risk management and internal control policies by ensuring regular management review of relevant corporate governance measures and corresponding implementation.

In order to enhance the effectiveness of our internal control system, we engaged an independent internal control consultant to review our internal control procedures, covering financial reporting and disclosure controls, corporate controls, information system control management, and other compliance procedures for our operations. Our Directors are of the view that we have in place adequate internal control measures to ensure on-going compliance with applicable laws and regulations.

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In 2017, we entered into US dollars forward contracts to manage our risks arising from the exposure to foreign currencies. As these forward currency contracts were not designated for hedge purposes in accordance with applicable accounting standards, they were measured at fair value through profit or loss. As at the Latest Practicable Date, we did not have any outstanding foreign exchange forward contracts. While our pricing policy has taken into account impact of foreign exchange rates, as explained in “— Sales and Marketing — Pricing policy”, we entered into foreign exchange forward arrangements in 2017 given the significant depreciation in the value of the renminbi against the US dollar.

The management of our foreign currencies exposure is overseen by Mr Luk, our co-CEO and who obtained a master of business administration, and Mr Ng Ming Chee, our chief financial officer and a certified practising accountant, upon the advice of financial advisers. We seek to monitor interest rate and foreign exchange exposure and will continue to consider hedging significant interest rate or foreign exchange exposure in the event that the need arises.

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*You should read the following discussion in conjunction with the combined financial statements included in the Accountants' Report and the notes thereto included in Appendix I to this prospectus and the selected historical financial information and operating data included elsewhere in this prospectus. The combined financial statements have been prepared in accordance with HKFRS.*

*Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set out in "Forward-looking Statements" and "Risk Factors".*

*For the purpose of this section, unless the context otherwise requires, references to 2015, 2016 and 2017 refer to our financial years ended 31 December of such years.*

### OVERVIEW

We are a fast-growing automotive electronics solutions provider in China. We focus on providing solutions targeting critical automotive electronic components applied in new energy, body control, safety and powertrain systems. We utilize our research and development and engineering capabilities to provide solutions incorporating advanced semiconductor devices to help OEMs achieve industry leading performance. Our robust growth during the Track Record Period was driven by our successful business model supported by the overall growth of the PRC automotive industry, tightening regulatory requirements (such as the recently introduced mandatory requirements to install certain safety features in vehicles in the PRC) and increasing consumers' demand for smart features in vehicles and automotive electronic components. According to Frost & Sullivan, the PRC automotive electronic components market size increased from RMB267.5 billion in 2012 to RMB577.5 billion in 2017, representing a CAGR of 16.6%.

We work closely with OEMs and their suppliers in China from the very beginning of their system and components development cycle in an effort to provide them with solutions that satisfy their needs including fuel efficiency, emission reduction, improved reliability and overall vehicle intelligence enhancement. We create value by applying our research and development capabilities and engineering expertise to help OEMs realize their desired product features in mass production.

We offer automotive electronics solutions to our customers. Our services include (a) designing, validating and fine-tuning solutions, (b) developing customized design of the electronic components, and (c) depending on the needs of our customers, sourcing and delivering appropriate advanced semiconductor devices, or electronic components incorporating our solutions and/or design, to our customers.

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## FINANCIAL INFORMATION

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### **BASIS OF PRESENTATION**

Pursuant to the Reorganization, our Company became the holding company of the companies now comprising our Group. The companies now comprising our Group were under the common control of our Controlling Shareholders before and after the Reorganization. Accordingly, for the purpose of the Accountants' Report set out in Appendix I to this prospectus, the financial information of our Group for the Track Record Period has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Track Record Period.

The combined statements of profit or loss and other comprehensive income, statements of changes in equity, and statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of our Controlling Shareholders, where this is a shorter period. The combined statements of financial position of our Group have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from our Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

Equity interests in subsidiaries and/or businesses held by parties other than our Controlling Shareholders prior to the Reorganization are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on combination.

### **FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

Our business, financial position and results of operations have been, or may expect to be in the future, significantly affected by a number of factors, many of which may be beyond our control. We believe the following are certain of these key factors.

#### **General development of the PRC automotive industry**

As our business focuses on servicing the automotive industry in China, a majority of our solutions sold to customers are used in the automotive industry. During the Track Record Period, revenue generated from sales of solution products and services rendered to customers in the automotive industry accounted for over 90% of our revenue. Accordingly, our business is affected by changes in supply and demand within the PRC automotive industry, which is in turn significantly affected by the economic environment, consumer spending power and preferences, and PRC government policies relating to the automotive industry.

In particular, as for government policies relating to the automotive industry, national and regional governments in the PRC have promulgated a series of favourable policies in favour of the development of new energy vehicles. For further information on such policies, see "Industry Overview — Overview of the Automotive

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Market in China”. In terms of revenue contributions, our solutions used in new energy vehicles grew in significance during the Track Record Period. In 2015, 2016 and 2017, our new energy solutions accounted for 14.8%, 17.2% and 24.0% of our total revenue for the respective years. In the coming years, we expect that one of our primary focuses will be to continue to increase our solution offerings applied in new energy vehicles. For further details on our plan, see “Business — Our Strategies — Increase our solution offerings for new energy vehicles to bolster our market penetration”.

If the PRC automotive industry does not continue to grow in a sustained fashion, demands for our solutions may be lower than anticipated which in turn may have an adverse effect on our business and results of operations. See “Risk Factors — Risks Relating to our Business and Industry — Our results of operations are heavily dependent on the condition of the PRC automotive industry. Any events that have an adverse effect on the demand of our customers’ products could materially and adversely affect the demand for our solutions, which in turn affect our business, financial conditions and results of operations” for further details of the risks and uncertainties involved.

### **Our research and development capabilities and ability to market new solutions**

As an automotive electronics solution provider, we design and develop customized solutions based on our customers’ requirements. We believe our ability to create and develop new solutions through our research and development capabilities will be the driving force behind our long-term competitiveness, as well as our future growth and development. We prioritize our research and development effort on aspects of automotive electronics solutions that we believe have the greatest potential, and have increasingly focused our research and development effort on new energy vehicles and technologies relating to automated driving. In 2015, 2016 and 2017, our research and development costs amounted to approximately RMB30.6 million, RMB52.8 million and RMB74.7 million, respectively, representing 4.2%, 4.6% and 5.1% of our revenue for the respective years. Research and development costs mostly included salaries for our research and development staff. As at 31 December 2015, 2016 and 2017, we had 113, 165 and 230 research and development staff, respectively.

Whether we are able to develop and market new solutions also affects our ability to maintain our financial position and results of operations. According to Frost & Sullivan, automotive semiconductor components have finite life cycle and may become obsolete in a few years’ time. Due to the continuous emergence of new products, the prices of existing products tend to exhibit a downward trend since their market launch. As a result, our results of operations will be adversely affected if we fail to market new solutions.

Our ability to continue successfully create and develop solutions that satisfy customers’ requirements in the manner we contemplate and to achieve the sales we expect is subject to a number of risks and uncertainties, many of which are beyond our control. Please see “Risk Factors — Risks Relating to our Business and Industry —



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Our success depends to a large extent on our ability to leverage our research and development capabilities to design suitable automotive electronics solutions that satisfy our customers' needs. If these efforts prove unsuccessful, we may lose customers and our results of operations may be adversely affected" for further details of the risks relating to the development of new solutions.

### **Our ability to manage our collection and payment cycle**

We normally provide our customers with up to 90 days' credit terms, and settle our trade payables within 50 days. The difference in settlement terms in general puts pressure on our operating cash flows. Moreover, our peak season is the last quarter of the year, during which period our sales accounts for approximately a third of our total sales during the year, while payment for such sales is normally not received until the first or second quarter of the next year. On the other hand, in preparation for the sales peak season, we normally need to make the necessary purchase of inventory during the third quarter of the year, for which most of the payment is made by us by the end of the year. Such mismatch in settlement terms, together with our seasonality, impacts on our operating cash flows, in particular when our sales increase substantially as during the Track Record Period. As a result, our cash flows from operating activities amounted to only RMB39.7 million in 2015, compared with profit before tax of RMB102.7 million. In 2016 and 2017, we recorded net cash outflow from operating activities of RMB13.6 million and RMB18.0 million, compared with profit before tax of RMB110.8 million and RMB139.3 million for the respective years.

As we continue to grow, we will strengthen the management of our collection and payment cycle to maintain a healthy operating cash flow. We will endeavour to negotiate for more favourable terms from our customers as our bargaining power grows with our business, and on the other hand seek to diversify our supplier base with longer payment terms.

### **Our preferential tax treatments**

We currently benefit from a number of preferential tax treatments. In particular, two of our principal PRC operating subsidiaries, Shanghai Intron and G-Pulse, qualified as High and New Technology Enterprises over the Track Record Period and have benefited from a preferential EIT Rate of 15%, rather than the 25% EIT Rate generally applicable to PRC tax resident enterprises under the EIT Law. In 2015, 2016 and 2017, our income tax expenses were reduced by RMB3.9 million, RMB1.1 million and RMB3.8 million, respectively, as a result of such preferential tax treatments.

Our tax rates directly impact our profitability, and we expect that our results of operations will continue to be positively affected by preferential tax treatments, including that Shanghai Intron and G-Pulse will continue to qualify as and benefit from being High and New Technology Enterprises. However, qualification as a High and New Technology Enterprise is re-evaluated every three years. The qualification of Shanghai Intron and G-Pulse as High and New Technology Enterprises will expire in 2019 and 2020, respectively.

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Each of these operating subsidiaries will only continue to receive the High and New Technology Enterprises preferential tax treatment if the relevant authorities determine that these subsidiaries continue to qualify, which depends on a number of factors, including whether the subsidiary has its own independent, core intellectual property rights, whether the subsidiary's products fall within the scope of supported high and new technology, whether the subsidiary's research and development expenses as a percentage of revenue reaches certain threshold percentages and whether the subsidiary's research and development staff as a percentage of total number of staff reaches certain threshold percentages.

Our preferential tax treatments may fail to be renewed, change, terminate, or otherwise become unavailable to us due to many factors, many of which are beyond our control. See "Risk Factors — Risks Relating to our Business and Industry — The discontinuation of any of the preferential tax treatments that we enjoy or imposition of any additional taxes could materially affect our net profit and reduce our profitability" for further details of the risks and uncertainties involved.

### **Impact of exchange rates**

Currency exchange rate fluctuations can have a substantial impact on our results of operations. Our main functional and reporting currency is the renminbi. However, we purchase a majority of semiconductor components from international manufacturers in foreign currencies (i.e. currencies other than renminbi) primarily in US dollars. Although some of our sales are also denominated in foreign currencies, most of our sales are denominated in renminbi.

In 2015, 2016 and 2017, our purchases in currencies other than the renminbi amounted to 96.6%, 92.1% and 88.9% of our total purchases for the respective years. The costs of our purchases were therefore affected by exchange rate fluctuations. Further, there may be a time lag between the time we recognize inventory and the time we make payment to our suppliers. Consequently, in the event that there is an increase in the value of renminbi against US dollars, we would recognize a foreign exchange gain, and vice versa. Our profit for each of 2015 and 2016 was affected by a general rise in the exchange rate of USD:RMB during the year. In 2015, 2016 and 2017, we recognized net exchange (losses)/gains of RMB(6.7 million), RMB(9.3 million) and RMB9.8 million, respectively.

In addition, during the Track Record Period, our profitability was also sensitive to fluctuations in exchange rates of US dollars and Hong Kong dollars against renminbi given that we had balance sheet items denominated in US dollars and Hong Kong dollars, such as bank deposits.

We may from time to time enter into foreign exchange forward contracts for our foreign currency denominated purchases of electronic components in order to reduce our foreign currency exposure. Our decision to purchase foreign exchange forward contracts is based on our anticipated payment obligations in the relevant foreign currency for a certain period of time in the future. During the Track Record Period, we only entered into foreign exchange forward contracts in 2017, but not in 2015 or 2016. As these forward currency contracts were not designated for hedge purposes, they were measured at fair value through profit or loss.

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## FINANCIAL INFORMATION

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As at the Latest Practicable Date, we did not have any outstanding foreign exchange forward contracts.

The following table illustrates the sensitivity of our profit before tax (due to changes in the fair value of monetary assets and liabilities) to a reasonably possible change in foreign currency exchange rate as at each of the balance sheet dates, with all other variables held constant.

	<b>As at 31 December 2015</b>
	<i>RMB'000</i>
<b>HK\$</b>	
Increase of 6% in foreign exchange rates	1,440
Decrease of 6% in foreign exchange rates	(1,440)
<b>US\$</b>	
Increase of 6% in foreign exchange rates	(4,046)
Decrease of 6% in foreign exchange rates	4,046
<b>EUR</b>	
Decrease of 5% in foreign exchange rates	(2)
Increase of 5% in foreign exchange rates	2
	<b>As at 31 December 2016</b>
	<i>RMB'000</i>
<b>HK\$</b>	
Increase of 7% in foreign exchange rates	1,360
Decrease of 7% in foreign exchange rates	(1,360)
<b>US\$</b>	
Increase of 7% in foreign exchange rates	(5,133)
Decrease of 7% in foreign exchange rates	5,133
<b>EUR</b>	
Increase of 3% in foreign exchange rates	(271)
Decrease of 3% in foreign exchange rates	271

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## FINANCIAL INFORMATION

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	<b>As at</b>
	<b>31 December</b>
	<b>2017</b>
	<hr/> <i>RMB'000</i>
HK\$	
Decrease of 7% in foreign exchange rates	19
Increase of 7% in foreign exchange rates	(19)
US\$	
Decrease of 6% in foreign exchange rates	7,249
Increase of 6% in foreign exchange rates	(7,249)
EUR	
Increase of 7% in foreign exchange rates	(301)
Decrease of 7% in foreign exchange rates	301

### CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATION

Our financial statements have been prepared in accordance with HKFRSs. The preparation of financial statements in conformity with HKFRSs requires the use of judgments and estimation. We set out below certain accounting policies that we believe are material to an understanding of our financial information, and, in addition, information on those accounting policies applied in preparing our financial information that we believe are most dependent on judgments and estimation.

For details of the significant accounting policies, judgments, and estimation, see the Accountants' Report in Appendix I to this prospectus.

#### Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably, on the following bases:

- from the sale of products: revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, provided that we maintain neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. In practice, this is when our customers confirm acceptance of delivery of the relevant products; and
- from the rendering of services: revenue is recognized based on the percentage of completion of the project, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the project. Where the outcome of a contract cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

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## FINANCIAL INFORMATION

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### **Research and development costs**

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, our intention to complete and our ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

### **Intangible assets (other than goodwill)**

Our intangible assets are primarily patents and software. In 2013, Mr Lu Peixi and Ms Zhang Hui (as nominee for and on behalf of Mr Luk and Mr Chan, respectively), the then shareholders of Shanghai Intron, transferred a patent to Shanghai Intron as part of their capital contribution to Shanghai Intron. Such patent was recorded on initial recognition at cost and the balance as at 1 January 2015 was RMB4.3 million. Pursuant to an agreement entered into in 2016, we acquired the TTTech Technology Licence to use the design of an inverter safety unit designated for electric passenger vehicles. The TTTech Technology Licence was recorded as intangible assets and was measured on initial recognition at cost. We have assigned a useful life of five years to the TTTech Technology Licence and 10 years to the patent contributed by Mr Lu and Ms Zhang.

Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

### **Judgments and estimation**

There is no significant effect on the amounts recognized in our financial statements during the Track Record Period arising from the judgments, apart from those involving estimations, made by management in the process of applying our Group's accounting policies.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the period during the Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

### ***Impairment of trade and other receivables***

Impairment of trade and other receivables is made based on an assessment of the recoverability of trade and other receivables. The identification of impairment requires management's judgments and estimates by considering the age of the balance, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade and other receivables and impairment losses over the period in which such estimate has been changed.

## FINANCIAL INFORMATION

### **Net realizable value and write-down of inventories**

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in downstream industries. Any write-down of inventories to net realizable value or reversal of write-down of inventories will impact on the carrying values of the inventories and the expenses of that period. Our management reassesses these estimates at the end of each reporting period.

### **DESCRIPTION OF SELECTED COMPONENTS OF STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

#### **Revenue**

Revenue represents (i) sales generated from delivering our solutions, after allowances for returns and trade discounts. Our revenue generated from our solutions during the Track Record Period was classified as sale of solution products given that such solutions involved the supply of semiconductor devices or electronic components to our customers; (ii) sales of semiconductor devices independent of any solutions; and (iii) the value of our research and development consultancy and other services rendered; in each case net of value added tax and government surcharges. The following table sets out a breakdown of our revenue for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Solution products						
New energy <sup>(1)</sup>	108,565	14.8%	198,191	17.2%	353,274	24.0%
Body control	239,248	32.7%	344,730	30.0%	349,912	23.7%
Safety	224,782	30.7%	331,970	28.9%	347,152	23.6%
Powertrain	80,500	11.0%	131,620	11.4%	183,935	12.5%
Industrials <sup>(2)</sup>	24,074	3.3%	84,176	7.3%	140,443	9.5%
	<u>677,169</u>	92.5%	<u>1,090,687</u>	94.8%	<u>1,374,716</u>	93.3%
Rendering of services <sup>(3)</sup>	8,926	1.2%	5,491	0.5%	22,598	1.5%
Others <sup>(4)</sup>	46,167	6.3%	53,995	4.7%	76,170	5.2%
	<u><u>732,262</u></u>	<u>100.0%</u>	<u><u>1,150,173</u></u>	<u>100.0%</u>	<u><u>1,473,484</u></u>	<u>100.0%</u>

#### **Notes:**

- Our new energy solutions include motor controller (inverter), vehicle control unit, battery management system, DC-DC converter, on-board charger, power distribution unit, central gateway, PTC heater, electric pump and electric fan.
- Industrials include power supply solutions designed for high-performance CPUs and graphics processors in cloud server.
- Mainly include revenue from consultancy services.
- Others represent semiconductor devices sold independent of any solution.

## FINANCIAL INFORMATION

Revenue from the sale of our solutions applied in new energy vehicles has been growing at an increasing pace during the Track Record Period reflecting our focus on this area.

The following table sets out the number of solutions that we provided to customers by category and our average revenue generated from each type of solutions in each of the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	<i>Number of solutions</i>	<i>RMB'000</i>	<i>Number of solutions</i>	<i>RMB'000</i>	<i>Number of solutions</i>	<i>RMB'000</i>
New energy	34	3,193	38	5,216	42	8,411
Body control	59	4,055	61	5,651	61	5,736
Safety	29	7,751	30	11,066	30	11,572
Powertrain	20	4,025	23	5,723	22	8,361
Industrials	2	12,037	3	28,059	3	46,814
	<b>144</b>		<b>155</b>		<b>158</b>	

Throughout the Track Record Period, there was a general increase in average revenue per solution for all categories. The significant increase in our average revenue per solution during the Track Record Period was primarily driven by the increased sales volume generated from certain individual solutions. Average revenue per solution for the new energy category increased from RMB3.2 million in 2015 to RMB8.4 million in 2017, primarily attributable to the increased sale of solutions such as BMS solutions and body control modules. Average revenue per solution for the body control category increased from RMB4.1 million in 2015 to RMB5.7 million in 2016, primarily attributable to the increased sales of solutions for backlight control modules and gateway controllers. Average revenue per solution for the safety category increased from RMB7.8 million in 2015 to RMB11.1 million in 2016, primarily attributable to the increased sales of TPMS and ABS solutions. Average revenue per solution for the powertrain category increased from RMB4.0 million in 2015 to RMB8.4 million in 2017, primarily attributable to the increased sales of diesel pressure sensor and solutions for cooling fan controllers. Average revenue per solution for the industrials category increased from RMB12.0 million in 2015 to RMB46.8 million in 2017, primarily attributable to the increased sales of computer power supply solutions to Inspur Electronics Information Industry Co., Ltd. See “— Results of Operations” below for details of the increase in our revenue during the Track Record Period.

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The following table sets out a breakdown of our revenue by customer type for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
OEMs	142,673	19.5%	189,756	16.5%	184,892	12.5%
OEM suppliers	553,646	75.6%	867,929	75.5%	1,121,664	76.1%
Others	27,017	3.7%	86,997	7.5%	144,330	9.9%
Add:						
Rendering of services	8,926	1.2%	5,491	0.5%	22,598	1.5%
Total revenue	<u>732,262</u>	<u>100.0%</u>	<u>1,150,173</u>	<u>100.0%</u>	<u>1,473,484</u>	<u>100.0%</u>

The contribution of revenue generated from sales to customers other than OEMs and OEM suppliers increased from 3.7% of our total revenue in 2015 to 9.9% for 2017, primarily attributable to the increased sales to Inspur Electronic Information Industry Co., Ltd., a data centre and cloud computing solutions provider.

### Cost of sales

Our cost of sales represents primarily cost for the purchase of semiconductor devices and other raw materials, labour cost, depreciation and others.

The following table sets out a breakdown of our cost of sales for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Cost of materials <sup>(1)</sup>	536,003	99.2%	903,973	99.5%	1,153,710	99.1%
Labour cost	4,079	0.7%	4,625	0.5%	9,776	0.8%
Depreciation	88	0.0%	100	0.0%	230	0.0%
Others	411	0.1%	88	0.0%	757	0.1%
Total	<u>540,581</u>	<u>100.0%</u>	<u>908,786</u>	<u>100.0%</u>	<u>1,164,473</u>	<u>100.0%</u>

Note:

- Includes processing fee charged by our contract manufacturers.



## FINANCIAL INFORMATION

### Other income and gains

Our other income and gains primarily consist of government grants received by Shanghai Intron, bank interest income, investment income from available-for-sale investments, net exchange gains and gain on disposal of items of property, plant and equipment and others.

Government grants are related to the subsidies received from the government for the purpose of compensation for expenses arising from research and development expenses on certain special projects. Upon completion of the related projects and having passed the final assessment of the relevant government authorities, the grants related to the expense items would be recognized as other income.

Investment income from available-for-sale investments represent interest income from funds we invested in short-term wealth management products with financial institutions in the PRC. See “— Description of Selected Balance Sheet Items — Available-for-sale investments” and “— Liquidity and Capital Resources — Cash flows — Cash flows used in investing activities” for further details.

The following table sets out a breakdown of our other income and gains for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<b>Other income:</b>						
Government grants	533	48.6%	2,940	89.5%	5,569	35.4%
Bank interest income	114	10.4%	122	3.7%	198	1.3%
Investment income from available-for-sale investments	143	13.0%	69	2.1%	48	0.3%
Others	98	8.9%	153	4.7%	146	0.9%
<b>Gains:</b>						
Exchange gains, net	—	—	—	—	9,772	62.0%
Gain on disposal of items of property, plant and equipment	209	19.1%	—	—	17	0.1%
<b>Total</b>	<b>1,097</b>	<b>100.0%</b>	<b>3,284</b>	<b>100.0%</b>	<b>15,750</b>	<b>100.0%</b>

## FINANCIAL INFORMATION

### Selling and distribution expenses

Our selling and distribution expenses consist of (i) salaries and benefits for our sales personnel; (ii) business entertainment and marketing expenses; (iii) expenses relating to customs clearance of our imported goods and expenses incurred in the course of providing after-sales services to customers; and (iv) depreciation and other expenses. The table below sets out a breakdown of our selling and distribution expenses for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Salaries and benefits	8,799	44.9%	15,318	53.1%	17,697	52.3%
Business entertainment and marketing	4,655	23.7%	5,216	18.2%	6,501	19.3%
Customs clearance and after-sales service	5,628	28.7%	7,703	26.7%	9,132	27.0%
Depreciation and others	528	2.7%	589	2.0%	483	1.4%
<b>Total</b>	<b>19,610</b>	<b>100.0%</b>	<b>28,826</b>	<b>100.0%</b>	<b>33,813</b>	<b>100.0%</b>

### Administrative expenses

Our administrative expenses consist of (i) research and development expenses; (ii) salaries and benefits for our administrative staff; (iii) office rental and utilities; and (iv) others including office expense, professional service fee and depreciation expenses.

Research and development expenses primarily consist of salaries and benefits for our research and development staff, depreciation of our research and development equipment, amortization of intangible assets including patents and software, and rental expenses for our research centre. In 2015, 2016 and 2017, salaries and other employee benefits for our research and development staff were RMB17.3 million, RMB28.3 million and RMB49.1 million, respectively, accounting for 56.5%, 53.5% and 65.7% of our research and development expenses for the respective years.

During the Track Record Period, our research and development expenses increased primarily due to the increase in the headcount of our research and development team. As at 31 December 2015, 2016 and 2017, we had 113, 165 and 230 research and development staff, respectively. We expect to increase our research and development expenses in the future as we hire additional research and development personnel to support our business expansion, including the enhancement of our technological capabilities in respect of new energy vehicles and automated driving related technologies.

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The table below sets out a breakdown of our administrative expenses for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Research and development expenses	30,553	55.1%	52,818	62.2%	74,710	59.5%
Salaries for administrative staff	13,278	24.0%	18,489	21.8%	26,821	21.4%
Listing expenses	–	–	–	–	6,956	5.5%
Office rental and utilities	3,360	6.1%	4,545	5.4%	5,007	4.0%
Others	8,231	14.8%	9,049	10.6%	11,989	9.6%
<b>Total</b>	<b>55,422</b>	<b>100.0%</b>	<b>84,901</b>	<b>100.0%</b>	<b>125,483</b>	<b>100.0%</b>

The table below sets out a breakdown of our research and development expenses for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Salary-related expenses	17,259	56.5%	28,253	53.5%	49,056	65.7%
Material, testing and model expenses	6,692	21.9%	11,348	21.5%	8,745	11.7%
Rent, training and others	6,602	21.6%	13,217	25.0%	16,909	22.6%
<b>Total</b>	<b>30,553</b>	<b>100.0%</b>	<b>52,818</b>	<b>100.0%</b>	<b>74,710</b>	<b>100.0%</b>

### Other expenses

Our other expenses primarily consist of (i) net exchange losses; (ii) losses on investment and disposal of derivative financial instruments; (iii) loss on disposal of a subsidiary, Shenzhen Tuofuwei Technology Co., Ltd.; and (iv) others including loss on disposal of fixed assets and donations. In order to expand our business in the Pearl River Delta economic zone, we acquired Shenzhen Tuofuwei Technology Co., Ltd. (“Shenzhen Tuofuwei”) from two independent third parties in September 2014 for an aggregate consideration of RMB500,000. The consideration corresponded to the then registered capital of Shenzhen Tuofuwei. Subsequent to that, due to our future business strategy and considering that we had by then already established our branch in Shenzhen, we no longer required to carry out our business through Shenzhen Tuofuwei. In view of that, in April 2017, we transferred our equity interests in Shenzhen Tuofuwei to a company controlled by Mr Luk and Mr Chan, our co-CEOs and executive Directors, for an aggregate consideration of RMB500,000. During the Track Record Period, Shenzhen Tuofuwei did not commit any material breaches or violations of laws or regulations in the PRC applicable to it which would have had a material adverse effect on its business or financial condition.

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Losses from investment and disposal of derivative financial instruments are the losses resulting from certain US dollars forward currency contracts that we put in place to manage our exchange rate exposures. During the Track Record Period, we only entered into US dollars forward currency contracts in 2017.

The table below sets out a breakdown of our other expenses for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Exchange losses, net	6,670	99.6%	9,313	99.6%	–	–
Investment and disposal of derivative financial instruments	–	–	–	–	7,878	73.6%
Disposal of items of property, plant and equipment	–	–	37	0.4%	–	–
Disposal of a subsidiary	–	–	–	–	2,819	26.4%
Others	26	0.4%	1	0.0%	1	0.0%
<b>Total</b>	<b>6,696</b>	<b>100.0%</b>	<b>9,351</b>	<b>100.0%</b>	<b>10,698</b>	<b>100.0%</b>

### Finance costs

Our finance costs comprise interest on bank and other loans and interest on discounted notes receivable. The table below sets out a breakdown of our finance costs for the years indicated:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Interest on bank and other loans	2,754	32.4%	3,519	31.6%	6,151	39.5%
Interest on discounted notes receivable	5,749	67.6%	7,622	68.4%	9,411	60.5%
<b>Total</b>	<b>8,503</b>	<b>100.0%</b>	<b>11,141</b>	<b>100.0%</b>	<b>15,562</b>	<b>100.0%</b>

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## FINANCIAL INFORMATION

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During the Track Record Period, interest on discounted notes receivable accounted for a significant portion of our finance costs. Interest on discounted notes receivable represents the amount we forgo by early cashing in notes receivable prior to their maturity dates. The carrying amount of the notes receivable in respect of which we had cashed in early with banks in the PRC and which had not reached their maturity dates as at 31 December 2015, 2016 and 2017 were RMB60.2 million, RMB179.9 million and RMB185.6 million, respectively.

### Share of profit from an associate

In 2015, 2016 and 2017, our share of profit from an associate was approximately RMB132,000, RMB300,000 and RMB64,000, respectively. Our share of profit from an associate relates to the 25% interest we held in Xinwoke Electronic Technology Co., Ltd. (蘇州芯沃科電子科技有限公司) (“Xinwoke”, a company engaged in the manufacture of electronic products), through our then wholly-owned subsidiary Shenzhen Tuofuwei Technology Co., Ltd. See “– Other expenses” above for details.

### Income tax expense

The following table sets out a breakdown of the components of our income tax expense for the years indicated:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current – Mainland China:</b>			
Charge for the year	7,959	5,842	8,735
<b>Current – Hong Kong:</b>			
Charge for the year	6,902	13,630	10,359
<b>Deferred</b>	301	(2,710)	(2,204)
Total tax charge for the year	<u>15,162</u>	<u>16,762</u>	<u>16,890</u>

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law and accordingly is not subject to income tax.

Pursuant to the relevant tax law of Hong Kong, Hong Kong profits tax has been provided for at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Track Record Period. During the Track Record Period, although the majority of our revenue was derived from sales to customers located in Mainland China, a substantial portion of our income tax expense consisted of Hong Kong profits tax primarily because (i) part of our profit was recorded in Hong Kong as a substantial portion of our purchases of semiconductor devices was delivered in Hong Kong, and we onwards sold such semiconductor devices to other members of our Group in the PRC with a mark up; and (ii) we also delivered a portion of such semiconductor devices in Hong Kong to our customers.

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The provision for current income tax in the PRC is based on a statutory tax rate of 25% of the assessable profits of our PRC subsidiaries as determined in accordance with the EIT Law. Shanghai Intron and G-Pulse are qualified as High and New Technology Enterprises and were subject to a preferential EIT Rate of 15% during the Track Record Period. See “— Factors Affecting our Results of Operations — Our preferential tax treatments” above and Note 10 to the Accountants’ Report included in Appendix I to this prospectus for further details of applicable tax rate and the preferential tax treatments we received during the Track Record Period. Further, certain of our research and development costs incurred in the PRC were eligible for tax deductions.

Our effective tax rate, calculated as income tax expense divided by profit before tax, in 2015, 2016 and 2017 was 14.8%, 15.1% and 12.1%, respectively.

As at the Latest Practicable Date, we had paid all relevant taxes that were due and we are not aware of any tax dispute or unresolved tax issue.

Our Directors are of the view that our inter-company transactions (i) are conducted on an arm’s length basis; (ii) will not be subject to any material transfer pricing adjustment; and (iii) are in compliance with the applicable transfer pricing laws and regulations in the PRC. Based on the opinions of an independent professional firm that our Group’s inter-company transactions are in compliance with the independent transaction principle, our PRC Legal Advisers are of view that such transactions are in compliance with the applicable tax laws and regulations. Our Directors are advised that there is currently no specific legislation in Hong Kong which governs transfer pricing.

### RESULTS OF OPERATIONS

The following table sets out a summary of our combined statements of profit or loss and other comprehensive income data for the years indicated and each item as a percentage of our total revenue derived from our combined statements of profit or loss and other comprehensive income set out in the Accountant’s Report included in Appendix I to this prospectus:

	Year ended 31 December					
	2015		2016		2017	
	<i>RMB’000</i>	%	<i>RMB’000</i>	%	<i>RMB’000</i>	%
Revenue	732,262	100.0%	1,150,173	100.0%	1,473,484	100.0%
Cost of sales	(540,581)	(73.8%)	(908,786)	(79.0%)	(1,164,473)	(79.0%)
Gross profit	191,681	26.2%	241,387	21.0%	309,011	21.0%
Other income and gains	1,097	0.2%	3,284	0.3%	15,750	1.1%
Selling and distribution expenses	(19,610)	(2.7%)	(28,826)	(2.5%)	(33,813)	(2.3%)
Administrative expenses	(55,422)	(7.6%)	(84,901)	(7.4%)	(125,483)	(8.5%)
Other expenses	(6,696)	(0.9%)	(9,351)	(0.8%)	(10,698)	(0.7%)
Finance costs	(8,503)	(1.2%)	(11,141)	(1.0%)	(15,562)	(1.1%)
Share of profit of an associate	132	0.0%	300	0.0%	64	0.0%
Profit before tax	102,679	14.0%	110,752	9.6%	139,269	9.5%
Income tax expense	(15,162)	(2.0%)	(16,762)	(1.4%)	(16,890)	(1.2%)
Profit for the year	<u>87,517</u>	<u>12.0%</u>	<u>93,990</u>	<u>8.2%</u>	<u>122,379</u>	<u>8.3%</u>

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### 2017 compared to 2016

#### **Revenue**

Our revenue increased by 28.1% from RMB1,150.2 million in 2016 to RMB1,473.5 million in 2017, primarily due to an increased sale of our solutions in new energy and powertrain categories.

In 2017, sale of new energy solutions became our most significant revenue contributor. Its contribution to our total revenue increased from 17.2% in 2016 to 24.0% in 2017. Revenue generated from sale of new energy solutions increased by 78.2% from RMB198.2 million in 2016 to RMB353.3 million in 2017. The increase in revenue generated from new energy solutions was primarily attributable to a substantial increase in sales of BMS solutions applied in new energy vehicles to a number of Tier 1 suppliers. Sales of solutions for motor drives, ECUs and VCUs also experienced substantial growth.

Our sales of solutions used in applications relating to (i) powertrain; and (ii) industrials also outpaced the growth in our total revenue from 2016 to 2017. Revenue generated from powertrain solutions increased by 39.7% from RMB131.6 million in 2016 to RMB183.9 million in 2017, primarily attributable to (i) the increased sales of solutions for diesel pressure sensor modules to UTE; and (ii) the increased sales of solutions for cooling fan controllers to a Tier 1 supplier. Revenue generated from the industrials category increased by 66.8% from RMB84.2 million in 2016 to RMB140.4 million in 2017, primarily attributable to the increased sales of computer power supply solutions to Inspur Electronic Information Industry Co., Ltd.

Revenue generated from our body control solutions increased by 1.5% from RMB344.7 million in 2016 to RMB349.9 million in 2017. The contribution of sale of body control solutions to our total revenue decreased from 30.0% in 2016 to 23.7% in 2017.

Revenue generated from our safety solutions increased by 4.6% from RMB332.0 million in 2016 to RMB347.2 million in 2017, primarily attributable to the increased sales of our solutions for anti-lock braking systems (ABS).

Revenue from rendering of services increased by 311.5% from RMB5.5 million in 2016 to RMB22.6 million in 2017, primarily due to an increased number of customers using our consultancy services for new energy vehicles. Revenue generated from others, which are semiconductor devices sold independent of any solution, increased by 41.1% from RMB54.0 million in 2016 to RMB76.2 million in 2017.

The contribution of revenue (excluding revenue generated from the rendering of services) generated from OEM suppliers increased from 75.8% of our total revenue (excluding revenue generated from the rendering of services) in 2016 to 77.3% in 2017, primarily attributable to the increased sales to Beijing Hangbo New Energy Co., Ltd.; whereas the contribution of revenue (excluding revenue generated from the rendering of services) generated from OEMs decreased from 16.6% of our total revenue (excluding revenue generated from the rendering of services) in 2016 to 12.7% in 2017, primarily attributable to the decreased sales to BYD. The increase in

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revenue contribution (excluding revenue generated from the rendering of services) from sales to customers other than OEMs and OEM suppliers from 7.6% of our total revenue (excluding revenue generated from the rendering of services) in 2016 to 9.9% in 2017 was primarily attributable to the increased sales to Inspur Electronic Information Industry Co., Ltd., a data centre and cloud computing solutions provider.

### ***Cost of sales***

Our cost of sales increased by 28.1% from RMB908.8 million in 2016 to RMB1,164.5 million in 2017. Such increase in our cost of sales was in line with our increase in sale of solution products during the year.

### ***Gross profit and gross profit margin***

Our gross profit increased by 28.0% from RMB241.4 million in 2016 to RMB309.0 million in 2017. Our gross profit margin remained relatively stable at 21.0% in 2016 and 2017.

### ***Other income and gains***

Our other income and gains increased by 379.6% from RMB3.3 million in 2016 to RMB15.8 million in 2017. The increase was primarily attributable to (i) net exchange gains of RMB9.8 million in 2017, compared to net exchange losses in 2016 (which was recognized as part of other expenses) due to the appreciation of RMB compared to US dollars; and (ii) an increase in government grants from RMB2.9 million in 2016 to RMB5.6 million in 2017 due to the recognition of grants by Shanghai Intron under the “Growing Giant of Technology” fund in 2017.

### ***Selling and distribution expenses***

Our selling and distribution expenses increased by 17.3% from RMB28.8 million in 2016 to RMB33.8 million in 2017. Such increase was primarily attributable to (i) an increase in the salaries and benefits paid to our sales personnel from RMB15.3 million in 2016 to RMB17.7 million in 2017 mainly due to an increase in headcount of sales personnel during the period and a general increase in salaries; and (ii) an increase in expenses used in customs clearance and after-sales service from RMB7.7 million in 2016 to RMB9.1 million in 2017 which is in line with our increased level of activities.

### ***Administrative expenses***

Our administrative expenses increased by 47.8% from RMB84.9 million in 2016 to RMB125.5 million in 2017. The increase in our administrative expenses was primarily attributable to an increase in research and development expenses by 41.4% from RMB52.8 million in 2016 to RMB74.7 million in 2017, which in turn was mainly due to an increased headcount of research and development personnel.



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### ***Other expenses***

Our other expenses increased by 14.4% from RMB9.4 million in 2016 to RMB10.7 million in 2017. The composition of our other expenses for 2016 and 2017 was completely different. In 2017, our other expenses were primarily made up of (i) the recognition of losses from investment and disposal of derivative financial instruments of RMB7.8 million resulting from our USD:RMB forward contracts; and (ii) a loss of RMB2.8 million recognized on our disposal of our interest in Shenzhen Tuofuwei Technology Co., Ltd., a then subsidiary, to an entity controlled by Mr Luk and Mr Chan. Whereas our other expenses in 2016 were primarily made up of a net exchange loss of RMB9.3 million arising from the depreciation of renminbi.

### ***Finance costs***

Our finance costs increased by 39.7% RMB11.1 million in 2016 to RMB15.6 million in 2017. The increase was attributable to our increase in bank loans and note discounting to fund our expanded business operations. Our balance of interest-bearing bank and other loans increased from RMB104.5 million as at 31 December 2016 to RMB169.3 million as at 31 December 2017.

### ***Share of profit from an associate***

Our share of profit from an associate, namely Xinwoke, amounted to approximately RMB300,000 in 2016. Xinwoke ceased to be our associate after 26 April 2017. As a result, our share of profit from an associate decreased to approximately RMB64,000 in 2017. See “— Description of Selected Components of Statements of Profit or Loss and Other Comprehensive Income — Share of profit from an associate” above for details.

### ***Income tax expense***

Our income tax expense increased by 0.8% from RMB16.8 million in 2016 to RMB16.9 million in 2017.

Our effective tax rate, calculated as income tax expense divided by profit before tax, decreased from 15.1% in 2016 to 12.1% in 2017. The decrease in our effective tax rate was primarily attributable to an increase in deduction allowance for research and development expenses enjoyed by our PRC operating subsidiaries.

### ***Profit for the year***

For the above reasons, our profit for the year increased by 30.2% from RMB94.0 million in 2016 to RMB122.4 million in 2017. Our net profit margin also increased from 8.2% in 2016 to 8.3% in 2017.

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### 2016 compared to 2015

#### *Revenue*

Our revenue increased by 57.1% from RMB732.3 million in 2015 to RMB1,150.2 million in 2016, primarily due to increased sales of our existing solutions as well as the launch of new solutions in the new energy category, during 2016.

In 2016, sale of solution products in the body control category was our most significant revenue contributor accounting for 30.0% of our total revenue, compared to 32.7% in 2015. Revenue generated from body control solutions amounted to RMB344.7 million in 2016, representing a growth of 44.1% from RMB239.2 million in 2015. Such growth was primarily attributable to an increase in sales of (i) solutions for backlight control modules to a Tier 1 supplier; and (ii) solutions for gateway controllers to a Tier 1 supplier.

Revenue generated from our new energy category grew at a higher rate of 82.6% from RMB108.6 million in 2015 to RMB198.2 million in 2016, as a result revenue contribution from our new energy solutions increased from 14.8% in 2015 to 17.2% in 2016, which reflects our increasing business focus targeted at new energy vehicles. The growth in revenue generated from our new energy solutions from 2015 to 2016 was primarily attributable to an increase in sales of (i) body control modules for new energy vehicles to BAIC BJEV; and (ii) electronic control units to Huayu Automotive Electric System Co., Ltd., a Tier 1 supplier.

Revenue generated from powertrain category increased by 63.5% from RMB80.5 million in 2015 to RMB131.6 million in 2016, primarily attributable to the increased sales of solutions for diesel pressure sensor modules to UTE. Revenue generated from industrials category increased by 249.7% from RMB24.1 million in 2015 to RMB84.2 million in 2016, primarily attributable to the increased sales of computer power supply solutions to Inspur Electronic Information Industry Co., Ltd.

Revenue generated from our safety solutions increased by 47.7% from RMB224.8 million in 2015 to RMB332.0 million in 2016, primarily due to (i) the increased sales of our solutions for tyre-pressure monitoring systems (TPMS) to various customers; and (ii) the increased sales of our solutions for anti-lock braking systems (ABS) in 2016 in response to the coming into effect of the mandatory requirement of installing ABS in commercial vehicles in China.

Revenue from rendering of services decreased by 38.5% from RMB8.9 million for 2015 to RMB5.5 million in 2016, primarily due to two major orders in 2015 from BAIC BJEV which were not present in 2016. Revenue generated from others, which are semiconductor devices sold independent of any solution, increased by 17.0% from RMB46.2 million in 2015 to RMB54.0 million in 2016.

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The contribution of revenue generated from sales to customers other than OEMs and OEM suppliers increased from 3.7% of our total revenue in 2015 to 7.6% in 2016, primarily attributable to the increased sales to Inspur Electronic Information Industry Co., Ltd., a data centre and cloud computing solutions provider.

### ***Cost of sales***

Our cost of sales increased by 68.1% from RMB540.6 million in 2015 to RMB908.8 million in 2016 as a result of increased purchase of semiconductor devices in line with our increase in sale of solution products during the year.

### ***Gross profit and gross profit margin***

Our gross profit increased by 25.9% from RMB191.7 million in 2015 to RMB241.4 million in 2016. Our gross profit margin decreased from 26.2% in 2015 to 21.0% in 2016 as a result of our strategic adjustment in selling price, especially in respect of sales of our safety and body control solutions.

### ***Other income and gains***

Our other income and gains increased by 199.4% from RMB1.1 million in 2015 to RMB3.3 million in 2016, which was primarily attributable to an increase in government grants from RMB0.5 million in 2015 to RMB2.9 million in 2016 primarily as a result of the grants we received from the government in support of our research and development activities.

### ***Selling and distribution expenses***

Our selling and distribution expenses increased by 47.0% from RMB19.6 million in 2015 to RMB28.8 million in 2016. We believe that the increase in our selling and distribution expenses was generally in line with the growth of our business, and was primarily attributable to an increase in salaries and benefits paid to our sales personnel which increased by 74.1% from RMB8.8 million in 2015 to RMB15.3 million in 2016 due to an increased headcount of employees.

### ***Administrative expenses***

Our administrative expenses increased by 53.2% from RMB55.4 million in 2015 to RMB84.9 million in 2016. The increase in administrative expenses was primarily attributable to an increase in research and development expenses by 72.9% from RMB30.6 million in 2015 to RMB52.8 million in 2016, which in turn was mainly driven by an increase in headcount of research and development personnel.

### ***Other expenses***

Our other expenses increased by 39.7% from RMB6.7 million in 2015 to RMB9.4 million in 2016, primarily attributable to an increase in our net exchange loss from RMB6.7 million in 2015 to RMB9.3 million in 2016.

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### ***Finance costs***

Our finance costs increased by 31.0% from RMB8.5 million in 2015 to RMB11.1 million in 2016. The increase was attributable to our increase in bank loans and note discounting to fund our expanded business operations. The proportion of interest on bank loans and interest on discounted notes receivable as a percentage of our finance costs remained relatively stable. Our balance of interest-bearing bank and other loans increased from RMB54.3 million as at 31 December 2015 to RMB104.5 million as at 31 December 2016.

### ***Share of profit from an associate***

Our share of profit of an associate, namely Xinwoke, increased from approximately RMB132,000 in 2015 to approximately RMB300,000 in 2016. This was attributable to the increased contribution of Xinwoke, in which we held a 25% ownership interest throughout 2016 but only for part of the year in 2015 as we only acquired the interest in Xinwoke in May 2015. See “— Description of Selected Components of Statements of Profit or Loss and Other Comprehensive Income — Share of profit from an associate” above for details.

### ***Income tax expense***

Our income tax expense increased by 10.6% from RMB15.2 million in 2015 to RMB16.8 million in 2016.

Our effective tax rate, calculated as income tax expense divided by profit before tax, increased from 14.8% in 2015 to 15.1% in 2016. The increase in our effective tax rate was primarily attributable to a larger portion of our profit was generated in Hong Kong which was subject to a profit tax of 16.5%.

### ***Profit for the year***

For the above reasons, our profit for the year increased by 7.4% from RMB87.5 million in 2015 to RMB94.0 million in 2016. Our net profit margin decreased from 12.0% in 2015 to 8.2% in 2016 as a result of a decrease in gross profit margin and a substantial increase in research and development cost.

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### DESCRIPTION OF SELECTED BALANCE SHEET ITEMS

#### Net current assets

The table below sets out our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
<b>Current assets:</b>				
Inventories	137,583	220,567	287,661	353,955
Trade and notes receivables	207,857	322,469	507,538	478,405
Prepayments, deposits and other receivables	27,469	37,098	9,042	14,280
Tax recoverables	–	–	–	2,087
Available-for-sale investments	2,500	1,500	2,000	2,500
Pledge deposits	8,290	17,100	18,252	17,713
Cash and cash equivalents	46,971	65,951	92,252	66,882
<b>Total current assets</b>	<b>430,670</b>	<b>664,685</b>	<b>916,745</b>	<b>935,822</b>
<b>Current liabilities:</b>				
Trade payables	83,575	136,617	174,829	102,475
Other payables and accruals	59,682	97,140	159,512	242,178
Interest-bearing bank and other loans	53,233	103,735	168,929	291,669
Tax payable	8,225	19,829	23,341	939
Government grants	–	1,600	1,366	1,366
<b>Total current liabilities</b>	<b>204,715</b>	<b>358,921</b>	<b>527,977</b>	<b>638,627</b>
<b>Net current assets</b>	<b>225,955</b>	<b>305,764</b>	<b>388,768</b>	<b>297,195</b>

We had net current assets of RMB226.0 million, RMB305.8 million, RMB388.8 million and RMB297.2 million as at 31 December 2015, 2016 and 2017 and 30 April 2018, respectively. The increase in current assets during the Track Record Period was primarily due to an increase in trade and notes receivables related to the increase in our sales, an increase in inventories which is in line with our increased level of activities. The increase in current assets during the Track Record Period was partially offset by an increase in our current liabilities, which primarily consisted of an

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increase in trade payables, and other payables and accruals, an increase in interest-bearing bank borrowings to fund our expanded business and tax payables associated with the expansion of our business. The decrease in net current assets from 31 December 2017 to 30 April 2018 was attributable to an increase in current liabilities including interest-bearing bank and other borrowings and other payables and accruals. Our other payables and accruals consisted of balances of S&D Financing due to Infineon. See “— Other payables and accruals” below for details. The decrease in trade and notes receivables and trade payables from 31 December 2017 to 30 April 2018 corresponded to seasonal fluctuations in our sales. See “Business — Sales and Marketing — Seasonality” for details.

### Inventories

Our inventories mainly consist of semiconductor devices and electronic components.

Our inventories balances (net of impairment) as at 31 December 2015, 2016 and 2017 were RMB137.6 million, RMB220.6 million and RMB287.7 million, respectively, primarily reflecting the growth of our business and our build-up of inventories in anticipation of impending customers’ orders based on their rolling production forecast.

The following table sets out our inventories as at the balance sheet dates indicated and our average inventory turnover days for the years indicated:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Inventories (net of impairment)	137,583	220,567	287,661
	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Inventory turnover days <sup>(1)</sup>	67.6 days	72.1 days	79.7 days

*Note:*

- (1) Calculated using the average of the beginning and ending inventory balances of the year (net of impairment), divided by cost of sales for the year, and multiplied by the number of days in the year.

Our inventory turnover days increased from 67.6 days in 2015 to 72.1 days in 2016, and further increased to 79.7 days in 2017. The increase was mainly due to an increase in the balance of inventory in anticipation to meet customers’ demand. As disclosed in “Business — Our Suppliers — Inventory management”, we generally target to maintain an inventory level sufficient for the next two to three months’ usage, considering that we import semiconductor devices from overseas. We believe that the increase in inventory balances from 31 December 2015 to 31 December 2016, and from 31 December 2016 to 31 December 2017 was in line with our expansion of business and was appropriate given the significant increase in orders expected from our customers. For instance, our cost of sales increased by 68.1% from RMB540.6

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million in 2015 to RMB908.8 million in 2016 and further increased by 28.1% to RMB1,164.5 million in 2017; whereas our inventories (net of impairment) increased by 60.3% from RMB137.6 million as at 31 December 2015 to RMB220.6 million as at 31 December 2016 and further increased by 30.4% to RMB287.7 million as at 31 December 2017.

For the above reasons, we believe our inventory and liquidity management policies are effective despite the increase in inventory turnover days during the Track Record Period.

Of our inventory balance of RMB287.7 million as at 31 December 2017, approximately 66.7% or RMB191.8 million had been used as at the Latest Practicable Date. The following table sets out a breakdown by age of the subsequent sales up to the Latest Practicable Date of our inventories as at 31 December 2017:

	<i>RMB'000</i>
Less than 3 months	152,468
3 to 6 months	14,379
6 to 12 months	16,236
Over 1 year	8,763
Total	<u>191,846</u>

### ***Net realizable value and write-down of inventories***

Inventories are valued at the lower of cost and net realizable value. Cost is calculated using the weighted average method. We assign specific personnel to monitor slow moving inventories. When we identify items of inventories which have a market price that is lower than their carrying amount or are slow-moving or obsolete, we write down such inventories in that period. As at 31 December 2015 and 2016, upon considering the age and future usage or sales of the inventories, the write-down of inventories to net realizable value for the respective year was RMB2.5 million and RMB6.8 million. As at 31 December 2017, we had a reversal of write-down of inventories to net realizable value of RMB1.2 million as a result of disposal of inventories with carrying amount lower than market price during the year.

### **Trade and notes receivables**

#### ***Trade receivables***

Our trade receivables primarily represent the balances due from our customers. The credit period we give to our customers is generally within three months. In determining the credit term of a customer we take into consideration a number of factors, in particular its previous payment history. We seek to maintain strict control over our outstanding receivables and ensure overdue balances are regularly reviewed. For any unsettled long-term receivables or overdue balances identified, we instruct the corresponding sales personnel who are responsible for the relevant customers to closely follow up for payment. In view of the above and the fact that our trade receivables relate to a large number of diversified customers, there is no

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significant concentration of credit risk. We do not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

The following table sets out the components of our trade and notes receivables as at the balance sheet dates indicated and the average trade receivables turnover days for the years indicated:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	179,651	296,950	432,229
Notes receivable	28,931	26,307	76,043
	208,582	323,257	508,272
Impairment	(725)	(788)	(734)
<b>Total</b>	<b>207,857</b>	<b>322,469</b>	<b>507,538</b>
	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Trade receivables turnover days <sup>(1)</sup>	72.8 days	75.6 days	90.1 days

*Note:*

- (1) Calculated using the average of the beginning and ending trade receivables balances of the year (net of impairment), divided by revenue for the year, and multiplied by the number of days in the year.

Our trade receivables balances as at 31 December 2015, 2016 and 2017 were RMB178.9 million, RMB296.2 million and RMB431.5 million, respectively, primarily reflected increases in our sales during the respective years.

In 2015, 2016 and 2017, our trade receivables turnover days were 72.8 days, 75.6 days and 90.1 days, respectively. The increase primarily reflected our increased sales to key customers whom we have granted a longer term of credit.



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The following table sets out the ageing analysis of our trade receivables as at the balance sheet dates indicated, based on the invoice date and net of provisions:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Less than 3 months	173,715	280,419	419,420
3 to 6 months	2,607	10,846	7,846
6 to 12 months	511	3,438	1,271
1 to 2 years	1,341	592	2,316
Over 2 years	752	867	642
<b>Total</b>	<b><u>178,926</u></b>	<b><u>296,162</u></b>	<b><u>431,495</u></b>

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	170,305	276,964	419,958
Less than 3 months past due	6,017	14,469	7,319
Over 3 months past due	1,852	3,862	3,576
<b>Total</b>	<b><u>178,174</u></b>	<b><u>295,295</u></b>	<b><u>430,853</u></b>

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with our Group. Based on past experience, our Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Out of our trade receivables of RMB431.5 million as at 31 December 2017, approximately 98.7% or RMB425.9 million was settled as at the Latest Practicable Date.

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### **Notes receivable**

Our notes receivable primarily consist of banker's acceptance notes we receive from our customers as payment, and are generally due within six months. In 2015, 2016 and 2017, 36.2%, 39.0% and 41.7% of our sales were settled by banker's acceptance notes, respectively.

### *Discounting and endorsement of notes*

During the Track Record Period, we discounted certain notes receivable before their maturity with banks in the PRC in exchange for cash. In addition, we endorsed certain notes receivable (i) to our third party suppliers to settle trade payables; and (ii) to two related parties UTE and Shanghai Maibang as an extension or repayment of financing to them, as well as to settle trade payables due to them. UTE and Shanghai Maibang are entities controlled by our Controlling Shareholders. See “— Related Party Transactions” of this section for details of our transactions with UTE and Shanghai Maibang during the Track Record Period and “Connected Transaction” and “Business — Our Customers — Major customers” for details of our business relationship with UTE.

As at 31 December 2015, 2016 and 2017, (i) the carrying amount of notes receivable which have been endorsed was RMB14.1 million, RMB27.4 million and RMB37.6 million, respectively; and (ii) the carrying amount of notes receivable which have been discounted was RMB60.2 million, RMB179.9 million, and RMB185.6 million, respectively.

### *Reasons for discounting and endorsing notes*

We discounted and endorsed the notes receivable with banks and suppliers primarily as a means to satisfying our cash flow requirements as a result of the relatively longer settlement cycle of our trade receivables (60–90 days) than that of our trade payables (40–50 days), the substantial increase in our sales during the Track Record Period, especially during the last quarter of the year which generally accounted for one-third of our sales in the year, as well as the relatively longer period of credit we granted to certain major customers as we expanded our business.

By endorsing a note we received from our customer to our supplier, our trade payable to that supplier is settled by the endorsed amount (which is normally less than the face value of the note, with the difference charged as our interest expense). The supplier can then cash in the endorsed note from the bank or further endorse such note as a form of payment to other parties.

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### *Breakdown of our discounted and endorsed notes*

The following table sets out the amounts of notes we received, discounted and endorsed during the Track Record Period broken down (i) by the type of counterparties (whether or not they are related parties) and (ii) by nature (whether they are trade related or as loans (or repayment thereof)):

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Notes received from:</i>			
Third party customers – trade related	254,184	409,762	598,744
Related party customers <sup>(1)</sup> – trade related	11,042	39,363	16,079
Related parties <sup>(1)</sup> – repayment of loans <sup>(2)</sup>	–	8,777	–
<b>Total</b>	<b>265,226</b>	<b>457,902</b>	<b>614,823</b>
<i>Notes endorsed to:</i>			
Third party suppliers – trade related	–	20,261	40,201
Related party suppliers <sup>(1)</sup> – trade related	159	402	3
Related parties <sup>(1)</sup> – loans	21,632	25,003	26,722
Notes discounted by the Group	193,670	370,719	433,691
<b>Total</b>	<b>215,461</b>	<b>416,385</b>	<b>500,617</b>

*Notes:*

- The related parties refer to UTE and Shanghai Maibang.
- During the Track Record Period, all the notes endorsed by UTE and Shanghai Maibang to us were notes issued by, and which they received from, third parties. Neither of them had originated or issued any banker's acceptance notes to us.

Our notes endorsed to related parties, namely UTE and Shanghai Maibang, during the Track Record Period were partly for the purpose of payment for the services and products they provided to us and partly as financing we provided to UTE and repayment of financing we received from Shanghai Maibang. As at the Latest Practicable Date, we had ceased to provide financing including by way of endorsement of notes, to our related parties. We expect we will continue to discount notes with banks and endorse notes to suppliers (including related parties) for trade purposes to settle the amount due to them for services or produces provided.

See “— Related Party Transactions” for details of loans we extended to UTE during the Track Record Period.

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### *Compliance with laws*

The issue, acquisition and transfer of notes in the PRC are governed by the Negotiable Instruments Law of the PRC (Amended in 2004) (中華人民共和國票據法，2004年修訂) (the “Negotiable Instruments Law”). Article 10 of the Negotiable Instruments Law provides that (i) the issue, acquisition and transfer of an instrument shall be subject to the principle of good faith and supported by a genuine transaction between a creditor and a debtor; and (ii) for a party to obtain an negotiable instrument, it must pay the other party the consideration mutually agreed to by both parties to the transfer of the negotiable instrument.

Article 27 of the Negotiable Instruments Law provides that the holder of a note may transfer the rights arising out of the note or authorize others to exercise some of the rights. If the drawer writes the Chinese characters meaning “Not Transferable” on a note, the note shall not be transferred. In order to transfer the rights or to authorize others to exercise some of the rights, the holder shall endorse it and deliver the note.

All the notes we endorsed to suppliers and related parties during the Track Record Period (i) were properly delivered; (ii) were free of any Chinese characters meaning “Not Transferable”; (iii) were supported by proper consideration; and (iv) were either related to genuine trade transactions in the form of payments to suppliers or to related parties for their services and products provided to us, or were as financing we provided to UTE and repayment of financing we received from Shanghai Maibang. Therefore, our PRC Legal Advisers are of the view that, all the aforesaid endorsements were valid and conformed to the Article 27 of the Negotiable Instruments Law. Our PRC Legal Advisers are also of the view that, although our endorsements of notes receivable to related parties for non-trade purpose did not fully conform with Article 10 of the Negotiable Instruments Law, such endorsements were valid on the basis of Article 14 of the Provisions of the Supreme People’s Court Concerning Some Issues in the Trial of Cases of Disputes over Negotiable Instruments (最高人民法院關於審理票據糾紛案件若干問題的規定) which was promulgated on 14 November 2000 and amended on 16 December 2008, which states that the court shall not support the defence of the note’s debtor to refuse to fulfil his obligations under the endorsed note against the note’s holder if the note’s debtor cites Article 10 of the Negotiable Instruments Law as his defence.

Therefore, our PRC Legal Advisers are of the view that during the Track Period,

- (i) our endorsements of notes receivable were valid;
- (ii) our endorsements of notes receivable for trade purposes did not contravene any applicable laws and regulations in the PRC; and
- (iii) although our endorsements of notes receivable to related parties for non-trade purposes did not fully conform with Article 10 of the Negotiable Instruments Law, (a) there are no relevant PRC laws or regulations, nor are there any relevant rules promulgated by the PBOC or the China Banking Regulatory Commission imposing administrative or criminal liability in respect of such non-compliance; (b) such endorsements did not contravene any applicable laws and regulations in the PRC other than Article 10 of the

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## FINANCIAL INFORMATION

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Negotiable Instruments Law; and (c) the court shall not support the defence of the note's debtor to refuse to fulfil his obligations under the endorsed note against the note's holder if the note's debtor cites Article 10 of the Negotiable Instruments Law as his defence.

Further, Article 106 of the Negotiable Instruments Law imposes civil liability on a person who commits an act in contravention of the Negotiable Instruments Law and which causes others to incur losses. As at the Latest Practicable Date, the notes we endorsed to related parties for non-trade purposes during the Track Record Period had been paid in full, and we were not subject to any claims by any other party for the endorsement of notes by us.

Further, we confirm that all notes endorsed to us by our customers during the Track Record Period was related to genuine trade transactions and was supported by proper consideration in the form of settlement of our invoices.

### *Transfer of risks and derecognition of notes receivable*

Under applicable PRC laws, the banks and the suppliers to whom we have discounted and endorsed the notes have a right of recourse against us if the accepting financial institutions default in honouring the payments due under the notes. Such right of recourse does not affect the legality of the discounting or endorsement of the notes. Our management assesses at the end of each reporting period the risks associated with the right of recourse related to the discounted and endorsed notes and the likelihood of us being asked by the banks to repay the amount we cashed in or by the suppliers to settle the trade payable in case the accepting financial institutions default in honouring the payments due under the notes. To the extent that we consider that the risks of recourse are low we derecognize the carrying amounts of these notes and the associated trade payables settled by the endorsed notes. Our management primarily considers the operation scale and reputation of the financial institutions that have accepted the issue of the notes and their track record of honouring notes they have accepted. During the Track Record Period, we were not subject to any claims by note holders to whom we have discounted or endorsed the notes due to the default in honouring such notes by the accepting financial institutions.

Based on past experience, our Directors are of the opinion that as at 31 December 2015, 2016 and 2017, we had transferred substantially all the risks and rewards relating to (i) discounted notes with amounts of RMB59.4 million, RMB176.3 million and RMB183.5 million, respectively; and (ii) endorsed notes with amounts of RMB13.4 million, RMB23.1 million and RMB35.0 million, respectively. Such notes receivable were accepted by large and reputable banks, and we accordingly have derecognized the full carrying amounts of these notes and the associated trade payables settled by the endorsed notes. In practice, we would derecognize a particular discounted or endorsed note receivable if the accepting bank is a listed bank. During the Track Record Period, our derecognized notes receivable represented notes accepted by dozens of such banks.

As a result, as at 31 December 2015, 2016 and 2017, our Directors considered we had not transferred substantially all the risks and rewards with respect to (i) notes receivable which have been endorsed with a carrying amount of RMB0.7 million,

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## FINANCIAL INFORMATION

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RMB4.3 million and RMB2.6 million, respectively; and (ii) notes receivable which have been discounted with a carrying amount of RMB0.8 million, RMB3.5 million, and RMB2.1 million, respectively. Accordingly these notes receivable have not been derecognized on our financial statements as at the respective balance sheet date.

For further details of our notes endorsement and discounting activities, see Note 18 to the Accountants' Report in Appendix I to this prospectus. See also "Risk Factors — Risks relating to our Business and Industry — We discounted and endorsed certain notes receivable. Should the accepting financial institutions fail to honour such notes, the note holders may have the right of recourse against us."

### Trade payables

The following table sets out the total amounts of our trade and notes payables as of the balance sheet dates indicated and the average trade payables turnover days for the years indicated:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	83,575	136,617	174,829
	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Trade payables turnover days <sup>(1)</sup>	45.5 days	44.3 days	48.8 days

*Note:*

- (1) Calculated using the average of the beginning and ending trade payables balances of the year, divided by cost of sales for the year, and multiplied by the number of days in the year.

Our trade payables balances increased from RMB83.6 million as at 31 December 2015 to RMB136.6 million as at 31 December 2016, and further increased to RMB174.8 million as at 31 December 2017. The increase was primarily related to the expansion of our business.

Our trade payables turnover days decreased from 45.5 days in 2015 to 44.3 days in 2016, and increased to 48.8 days in 2017.

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The following table sets out the ageing analysis of our trade payables as at the balance sheet dates indicated, based on the invoice date:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Less than 3 months	83,139	134,398	160,894
3 to 6 months	257	1,956	13,565
6 to 12 months	137	263	357
1 to 2 years	21	–	13
Over 2 years	21	–	–
	<b>83,575</b>	<b>136,617</b>	<b>174,829</b>

Our trade payables are non-interest-bearing and are normally settled within three-month terms.

Out of our trade payables of RMB174.8 million as at 31 December 2017, we settled approximately 99.8% or RMB174.4 million as at the Latest Practicable Date.

### Other payables and accruals

The following table sets out a breakdown of our other payables and accruals as at the balance sheet dates indicated:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables	37,061	46,841	83,191
Dividends payable	–	–	8,164
Payroll and welfare payable	9,328	16,529	27,061
Advances from customers	6,144	6,761	5,930
Taxes payable other than corporate income tax	6,267	10,139	31,124
Payables for purchase of property, plant, equipment, and other intangible assets	200	9,573	1,293
Due to related parties	682	7,297	2,749
	<b>59,682</b>	<b>97,140</b>	<b>159,512</b>

During the Track Record Period, our other payables primarily included balances of S&D Financing we received from Infineon, our largest supplier during the Track Record Period, related to the S&D Programme.

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As at 31 December 2015, 2016 and 2017, the balance of the S&D Financing we received from Infineon was RMB36.5 million, RMB46.2 million and RMB73.7 million, respectively. For further details, see “Business — Our Suppliers — Our relationship with Infineon” and “Risk Factors — Risks relating to our Business and Industry — We participate in a ship-and-debit programme and receive financing from Infineon, and we may be obliged to return the outstanding balance of such financing if our ship-and-debit programme or distribution agreement with Infineon is terminated”.

Taxes payable other than corporate income tax were primarily sales tax related to the sale of our solutions. Our balances of taxes payable other than corporate income tax during the Track Record Period increased in line with our growth in sales.

Payables for the purchase of property, plant, equipment and other intangible assets increased from RMB0.2 million as at 31 December 2015 to RMB9.6 million as at 31 December 2016 and then decreased to RMB1.3 million as at 31 December 2017. The increase as at 31 December 2016 was primarily due to the balance of the consideration payable in relation to our acquisition of the TTTech Technology Licence in 2016.

The amount due to related parties was related to certain loans they extended to us. As at the Latest Practicable Date, we had settled all outstanding amounts due to related parties.

### Other intangible assets

The following table sets out a breakdown of the balance of the net carrying amount of our other intangible assets as at the balance sheet dates indicated:

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Patents	3,792	17,513	13,731
Software	82	842	1,158
Total	<u>3,874</u>	<u>18,355</u>	<u>14,889</u>

The carrying amount of our patents increased from RMB3.8 million as at 31 December 2015 to RMB17.5 million as at 31 December 2016 primarily due to our acquisition of the TTTech Technology Licence from TTTech, an independent third party.

All our research costs are charged to the statement of profit or loss as incurred. As a result, none of our research and development expenses was capitalized during the Track Record Period.



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### Available-for-sale investments

As at 31 December 2015, 2016 and 2017, we had available-for-sale investments amounting to RMB2.5 million, RMB1.5 million and RMB2.0 million respectively.

During the Track Record Period, our available-for-sale investments represented investments in short-term wealth management products purchased from financial institutions in the PRC. In general, such products were offered to retail customers with a fixed period. We believe that purchasing such wealth management products enables us to generate income from our excess funds at a relatively low risk. In 2015, 2016 and 2017, we recorded investment income from available-for-sale investments amounting to RMB143,000, RMB69,000 and RMB48,000, respectively.

Going forward, we seek to continue to adopt a conservative treasury management policy whereby we expect to invest excess cash in with similar low-risk wealth management products and bonds. We expect that we will not directly invest in equity markets.

See “— Description of Selected Components of Statements of Profit or Loss and Other Comprehensive Income — Other income and gains” and “— Liquidity and Capital Resources — Cash flows — Cash flows used in investing activities” for further details.

### LIQUIDITY AND CAPITAL RESOURCES

Our major uses of cash are to fund working capital and other recurring expenses, to service our indebtedness and to fund dividend payments. During the Track Record Period, we funded our cash requirements primarily from cash generated from operations, bank borrowings and discounted notes receivable. In particular, we consider that notes receivable discounting represents an appropriate means of financing our operations given that we received a significant amount of banker’s acceptance notes from our customers as a form of payment, and that the effective interest rates of discounting notes receivable are comparable with or lower than those of bank borrowings in 2015, 2016 and 2017. During the Track Record Period, we had no difficulties in securing bank borrowings. See “— Description of Selected Balance Sheet Items — Trade and notes receivables — Notes receivable” for details of our notes receivable discounting. See “— Indebtedness” for details of our effective interests rates.

Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of internally generated cash, discounted notes receivable, external borrowings, proceeds from the Global Offering and other funds raised from the capital markets from time to time.

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### Cash flows

The following table is a summary of our combined statements of cash flows and analysis of balances of cash and cash equivalents for the years indicated:

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash flows from/(used in) operating activities	39,673	(13,612)	(17,950)
Net cash flows used in investing activities	(19,643)	(16,127)	(13,626)
Net cash flows (used in)/from financing activities	(16,242)	46,460	60,535
Net increase in cash and cash equivalents	3,788	16,721	28,959
Cash and cash equivalents at beginning of year	41,867	46,971	65,951
Effect of exchange rate changes	1,316	2,259	(2,658)
Cash and cash equivalents at end of year	46,971	65,951	92,252

### ***Cash flows from (used in) operating activities***

During the Track Record Period, we generated cash from operating activities primarily from the receipt of payments from our customers for our solution products. Our primary cash outflows from operating activities relate to purchases of semiconductor devices. Our cash flows from operating activities can be significantly affected by factors such as the timing of receipt of trade receivables from our customers and our payments of trade payables to suppliers during the regular course of business.

In 2017, our net cash used in operating activities was RMB18.0 million, mainly representing profit before tax of RMB139.3 million adjusted for: (i) an RMB200.2 million increase in trade and notes receivables due to our increased level of sales and a growing number of customers to whom we have granted longer credit terms; and (ii) an RMB71.8 million increase in inventories that primarily related to the expansion of our business and our build-up of inventories in anticipation of impending customer' orders based on their rolling purchase forecast submitted to us. These negative working capital adjustments were primarily offset by (i) an RMB71.1 million increase in other payables and accruals that primarily resulted from the accruals of bonus payable to our employees; and (ii) an RMB43.6 million increase in trade payables that primarily resulted from increases in purchases especially in the last quarter of our financial year during which time we tend to experience higher sales activities and this coincides with the peak production cycle in the PRC automotive industry as OEMs prepare for the peak sales season around Chinese New Year.

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In 2016, our net cash used in operating activities was RMB13.6 million, mainly representing profit before tax of RMB110.8 million adjusted for: (i) an RMB105.6 million increase in trade and notes receivables due to our increased level of sales and a growing number of customers to whom we have granted longer credit terms; and (ii) an RMB79.7 million increase in inventories that primarily related to our business expansion leading to the build-up of inventories in anticipation of impending customer orders based on their rolling purchase forecast submitted to us. These negative working capital adjustments were primarily offset by (i) an RMB48.0 million increase in trade payables that primarily resulted from increases in purchases especially in the last quarter of our financial year during which time we tend to experience higher sales activities and this coincides with the peak production cycle in the PRC automotive industry as OEMs prepare for the peak sales season around Chinese New Year; and (ii) an RMB18.7 million increase in other payables and accruals.

In 2015, our net cash generated from operating activities was RMB39.7 million, mainly representing profit before tax of RMB102.7 million adjusted for: (i) an RMB73.4 million increase in inventories that primarily related to the expansion of our business; and (ii) an RMB60.2 million increase in trade and notes receivables due to our increased level of sales and a growing number of customers to whom we have granted longer credit terms. These negative working capital adjustments were primarily offset by (i) an RMB48.6 million increase in trade payables that primarily resulted from increases in purchases; and (ii) an RMB29.0 million increase in other payables and accruals.

Owing to increased working capital needs for our continued expansion, we expect that our cash flow used in operating activities in 2018 will further increase.

### ***Cash flows used in investing activities***

During the Track Record Period, our cash flow used in investing activities primarily related to capital expenditure in relation to purchases of research and development equipment, office improvements and acquisition of intellectual property rights. In addition, funds we invested in short-term wealth management products with financial institutions and proceeds we received at the maturity of such products were accounted for as cash flows used in or from investing activities (as the case may be). See “— Description of Selected Balance Sheet Items — Available-for-sale investments” and “— Liquidity and Capital Resources — Cash flows — Cash flows used in investing activities” for further details.

In 2017, our net cash used in investing activities was RMB13.6 million. Our primary uses of cash for investing activities in 2017 included (i) RMB13.8 million in purchases of items of property, plant, and equipment which included testing equipment for use in our research and development and other office equipment, and (ii) RMB9.0 million related to the additions to other intangible assets which included the payment for the TTTech Technology Licence.

In 2016, our net cash used in investing activities was RMB16.1 million. Our primary uses of cash for investing activities in 2016 were (i) RMB7.9 million in relation to additions to other intangible assets which included the partial payment for the TTTech Technology Licence; and (ii) RMB7.0 million in purchases of items of property, plant, and equipment which included testing equipment for use in our research and development and other office equipment.

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In 2015, our net cash used in investing activities was RMB19.6 million. Our primary uses of cash for investing activities in 2015 were RMB6.8 million in purchases of items of property, plant, and equipment which included testing equipment for use in our research and development and other office equipment, and RMB2.0 million for the purchase of a 25% interest in Xinwoke, and RMB8.9 million for loans to directors and a related party.

### ***Cash flows (used in) from financing activities***

During the Track Record Period, our cash flows relating to financing activities primarily related to our receipt and repayment of bank and other loans, loans from and repayment of loans from related parties.

In 2017, our net cash from financing activities was RMB60.5 million, primarily as a result of a net increase in bank and other loans.

In 2016, our net cash from financing activities was RMB46.5 million, primarily as a result of a net increase in bank and other loans.

In 2015, our net cash used in financing activities was RMB16.2 million, primarily as a result of a net decrease in bank and other loans and repayment of loans from related parties.

### **Working capital**

As at 30 April 2018, we had unutilized banking facilities of RMB138.9 million. Taking into account borrowings available to our Group and the net proceeds from the Global Offering (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range) and cash from operating activities, our Directors are of the opinion that we will have sufficient working capital to meet our present requirement for the next 12 months from the date of this prospectus.

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### INDEBTEDNESS

During the Track Record Period, our indebtedness consisted primarily of bank loans, discounted notes receivable, and finance lease payable. The following table sets out our indebtedness as at the balance sheet dates indicated and 30 April 2018, being the latest practicable date for the purpose of this indebtedness statement:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
<b>Current:</b>				
Bank loans – secured	52,007	99,840	166,488	290,943
Discounted notes receivable	800	3,536	2,093	500
Current portion of long term finance lease payable	426	359	348	226
	<u>53,233</u>	<u>103,735</u>	<u>168,929</u>	<u>291,669</u>
<b>Non-current:</b>				
Finance lease payable	1,041	754	360	349
	<u>1,041</u>	<u>754</u>	<u>360</u>	<u>349</u>
Analysed into:				
Bank and other loans repayable:				
Within one year or on demand	53,233	103,735	168,929	291,669
In the second year	335	370	360	349
In the third to fifth year inclusive	706	384	–	–
	<u>54,274</u>	<u>104,489</u>	<u>169,289</u>	<u>292,018</u>

As at 30 April 2018, we had discounted notes receivable of RMB0.5 million. The balance of such discounted notes receivable represents notes receivable we had discounted with banks in the PRC before their maturity in exchange for cash and in respect of which our Directors are of the opinion that substantially all the risks and rewards relating to such notes discounted have not been transferred as at the balance sheet date and have accordingly recorded such notes as short-term loans.

As at 30 April 2018, we had an aggregate of RMB290.9 million in secured bank loans. These loans were secured by (i) mortgages over certain of our properties which had an aggregate net carrying value of approximately RMB0.7 million, (ii) pledge over certain of our trade receivables, which had an aggregate net carrying value of

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approximately RMB37.7 million; (iii) mortgages over certain of our patents, which had an aggregate net carrying value of approximately RMB2.6 million; and (iv) pledge over certain of our time deposits, which had an aggregate net carrying value of approximately RMB17.6 million. In addition, Mr Luk and Mr Chan (and their respective associates), have guaranteed certain of our bank loans up to RMB226.4 million as at 30 April 2018 which will be released before Listing. As at 30 April 2018, we had an aggregate of RMB0.6 million in finance lease payable. These finance leases were related to our motor vehicles and the payment under such leases were secured by the underlying motor vehicles which had an aggregate net carrying value of approximately RMB0.8 million, as at 30 April 2018.

As at 31 December 2017, we had provided guarantee in respect of UTE's borrowings of RMB15 million. Such guarantee has been terminated as at the Latest Practicable Date.

The table below sets out the effective interest rates, which are also equal to the contracted interest rates, on our bank borrowings:

	Year ended 31 December		
	2015	2016	2017
<b>Current:</b>			
Bank loans – secured	4.25%–6.06%	3.65%–5.22%	3.00%–5.44%
Discounted notes receivable	3.22%–3.42%	2.96%–3.25%	4.85%
Current portion of long term finance lease payable	1.80%–2.50%	1.80%	1.80%
<b>Non-current:</b>			
Finance lease payable	1.80%	1.80%	1.80%

Our banking facility agreements contain certain undertakings or covenants that require our subsidiaries, among other things, to obtain prior written consent before making dividend distributions and to maintain the total net worth of our Group of not less than a certain threshold.

Except as disclosed in this prospectus, and apart from intra-group liabilities, we did not have, as at 30 April 2018, being the latest practicable date for the purpose of this indebtedness statement, any other debt securities issued and outstanding or authorized or otherwise created but unissued, bank overdrafts, loans, or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. We do not have plans to materially change our borrowing levels.

### OFF-BALANCE SHEET ARRANGEMENTS

As at 30 April 2018, being the latest practicable date for the purpose of this indebtedness statement, we did not have any off-balance sheet arrangements.

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### CAPITAL EXPENDITURES

In 2015, 2016 and 2017, our capital expenditures were RMB6.9 million, RMB14.9 million and RMB22.9 million, respectively. We have historically funded our capital expenditures through cash generated from our operations. Our capital expenditures during the Track Record Period primarily consisted of purchases of testing equipment for research and development, upgrades of testing facilities, office improvements and the acquisition of intellectual property rights.

We expect to incur capital expenditures of approximately RMB263.3 million up to 2020. Our expected capital expenditures up to 2020 are primarily for our expansion and upgrade plan in respect of our research and development infrastructure, which involves our investments in and acquisitions of testing and other equipment, and technology software to accelerate our solutions development cycle and thus increase exposure of our solutions to customers. The following table sets out additional details of our expansion and upgrade plan for our research and development infrastructure and the related estimated capital expenditure:

<u>Item</u>	<u>Estimated total investment up to 2020</u>	<u>Implementation period</u>	<u>Primary source of funding</u>
Private cloud platform and IT-related investment	RMB55.1 million	Up to 2020	Proceeds from the Global Offering
Upgrade of our engineering centres, testing equipment and systems	RMB128.4 million	Up to 2020	Proceeds from the Global Offering
Investment in automotive electronics hardware and software research and development equipment and systems	RMB79.8 million	Up to 2020	Proceeds from the Global Offering

We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate.

### COMMITMENTS

For details of our long-term debt obligations, finance lease obligation, operating lease obligations, including certain maturity profile information relating thereto, please see Note 25, Note 26, Note 35 and Note 36 to the Accountants' Report included in Appendix I to this prospectus.

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### KEY FINANCIAL RATIOS

The following table sets out certain key financial ratios as at the dates indicated:

	As at/for the year ended 31 December		
	2015	2016	2017
Return on equity <sup>(1)</sup>	36.1%	27.4%	28.6%
Return on total assets <sup>(2)</sup>	19.5%	13.4%	12.8%
Current ratio <sup>(3)</sup>	2.10	1.85	1.74
Gearing ratio <sup>(4)</sup>	22.4%	30.5%	39.5%

*Notes:*

- (1) Return on equity ratio is profit for the year divided by total equity as at the end of the year.
- (2) Return on total assets ratio is profit for the year divided by total assets as at the end of the year.
- (3) Current ratio is total current assets as at the end of the year divided by total current liabilities as at the end of the year.
- (4) Gearing ratio is interest-bearing bank and other loans as at the end of the year divided by total equity as at the end of the year.

### Return on equity

In 2015, 2016 and 2017, our return on equity was 36.1%, 27.4% and 28.6%, respectively. The primary driver of changes to our total equity over the Track Record Period has been retained earnings. In 2017, a dividend of US\$3,860,000 (equivalent to RMB26,238,000) was declared and our total equity as at 31 December 2017 was net of such dividend.

### Return on total assets

In 2015, 2016 and 2017, our return on total assets was 19.5%, 13.4% and 12.8%, respectively. Our total assets grew over the Track Record Period primarily due to an increase in our inventories balances and trade and notes receivables.

### Current ratio

As at 31 December 2015, 2016 and 2017, our current ratio was 2.10, 1.85 and 1.74, respectively. See “— Description of Selected Balance Sheet Items — Net current assets” above for further details of changes in our current assets and current liabilities over the Track Record Period.



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### **Gearing ratio**

As at 31 December 2015, 2016 and 2017, our gearing ratio was 22.4%, 30.5% and 39.5%, respectively. The primary driver of changes to our indebtedness during the Track Record Period was increases in our borrowing levels to fund the growth of our business.

### **MARKET RISKS**

We are exposed to various types of financial and market risks, including interest rate risk, foreign currency risk, credit risk and liquidity risk. Our Board reviews and agrees policies for managing each of these risks.

#### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our exposure to the risk of changes in market interest rates relates primarily to our debt obligations with floating interest rates.

We did not enter into any hedging transactions in respect of interest rate risk during the Track Record Period.

Please see Note 40 “Financial Risk Management Objectives and Policies — Interest rate risk” to the Accountants’ Report included in Appendix I to this prospectus and for further details of the interest rate risk we face, including a sensitivity analysis of our exposure to changes in the RMB and US dollars interest rates.

#### **Foreign currency risk**

We primarily operate in the PRC and are exposed to foreign currency risk arising from fluctuations in exchange rates between RMB and other currencies in which we conduct our business. We are subject to foreign currency risk attributable to our bank balances, trade and other receivables and payables as well as bank loans that are denominated in currencies other than RMB. We seek to limit our exposure to foreign currency risk by minimizing our net foreign currency position.

In 2017, we entered into US dollars forward contracts to manage our exposure to foreign currency risk. We did not enter into any hedging transactions in respect of foreign currency risk in 2015 and 2016. See “— Factors Affecting our Results of Operations — Impact of exchange rates” for a further discussion on the impact of fluctuations in exchange rates to our results of operations.

#### **Credit risk**

Credit risk arises mainly from the risk that counterparties may default on the terms of their agreements.

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## FINANCIAL INFORMATION

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We trade mainly with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis.

The credit risk of our other financial assets, which comprise cash and cash equivalents, amounts due from related parties and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since our Group trades mainly with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. There are no significant concentrations of credit risk within our Group as our customers' trade receivables are widely dispersed with a number of customers.

### Liquidity Risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool which takes into consideration the maturity of both our available-for-sale investments and financial assets and projected cash flows from operations.

We maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other loans.

Please see Note 40 "Financial Risk Management Objectives and Policies — Liquidity risk" to the Accountants' Report included in Appendix I to this prospectus for further details of the liquidity risk we face, including quantitative disclosure of our liquidity risk.

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following table sets out our unaudited pro forma adjusted net tangible assets per Share assuming that (i) the Capitalization Issue and the Global Offering have been completed and 250,000,000 Shares are newly issued in the Global Offering; (ii) the Over-allotment Option is not exercised; (iii) no Shares have been issued pursuant to the Share Option Scheme and (iv) 1,000,000,000 Shares are issued and outstanding following the completion of the Capitalization Issue and the Global Offering.

	<b>Based on an Offer Price of HK\$2.61 per Offer Share, after Downward Offer Price Adjustment of 10%</b>	<b>Based on an Offer Price of HK\$2.90</b>	<b>Based on an Offer Price of HK\$3.33</b>
Unaudited pro forma adjusted net tangible assets per Share ( <i>note</i> )	HK\$1.09	HK\$1.16	HK\$1.26

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## FINANCIAL INFORMATION

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*Note:*

After adjusting for the dividends in the aggregate amount of approximately RMB139.8 million declared by the Company after the end of the Track Record Period, the unaudited pro forma adjusted net tangible assets per Share is approximately HK\$0.92 based on an Offer Price of HK\$2.61, after Downward Offer Price Adjustment of 10%, HK\$0.99 based on an Offer Price of HK\$2.90, and approximately HK\$1.09 based on an Offer Price of HK\$3.33.

For further details on our unaudited pro forma adjusted combined net tangible assets, see Appendix II to this prospectus.

### DIVIDEND

Prior to the completion of the Reorganization, in 2017, Intron HK declared and paid a dividend of US\$3,860,000 (equivalent to RMB26,238,000 using an exchange rate of US\$6.7974 per RMB1.00) to its then shareholders. In January 2018, Shanghai Intron declared a dividend of RMB100 million to its then shareholders and Intron HK declared a dividend of US\$6.2 million. Such dividends are expected to be paid before Listing using our internally generated cash flows. We have no dividend policy and currently do not intend to adopt a policy for future dividend payments. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. Any amount of dividends we declare and pay will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Please refer to a summary of the constitution of our Company and Cayman Companies Law set out in Appendix III to this prospectus. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

### RELATED PARTY TRANSACTIONS

During the Track Record Period, our related party transactions included (i) sales of goods to related parties (primarily to UTE); (ii) purchases of goods and services from related parties; (iii) loans to UTE, Mr Luk and Mr Chan; (iv) guarantee for UTE; and (v) payments on behalf of related parties (primarily Mr Luk and Mr Chan, each an executive Director and a Controlling Shareholder).

See “Connected Transaction” and “Business — Our Customers — Major customers” for details of our business relationship with UTE. During the Track Record Period, our purchases of goods and services from related parties consisted of purchases from Shanghai Maibang and UTE. Shanghai Maibang was established in 2003 and before starting to provide services to our Group around 2014, it was involved in other businesses including trading. In 2015, Shanghai Maibang provided certain code burning and product procurement services to us. Our total purchases from Shanghai Maibang in 2015 amounted to RMB493,000. In 2016, Shanghai Maibang provided certain product testing services to us. Our total purchases from Shanghai Maibang in 2016 amounted to RMB496,000. Shanghai Maibang had no substantive operating activities since 2017 and we have ceased to purchase from Shanghai Maibang. As a result, Shanghai Maibang was not included in our Group. During the Track Record Period, Shanghai Maibang did not commit any material breaches or violations of laws or regulations in the PRC applicable to it which would have had a material adverse effect on its business or financial condition.

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## FINANCIAL INFORMATION

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During the Track Record Period, we provided loans to UTE by means of advances through endorsement of notes or otherwise. Such loans were unsecured, non-interest bearing and repayable within one year. In 2015, 2016 and 2017, the amount of loans to UTE was RMB49.8 million, RMB44.0 million and RMB86.7 million, respectively. The reason why UTE obtained such financing from us rather than from third party banks was primarily because we could provide such financing faster, and at a lower cost. According to UTE, it had no difficulty in obtaining external financing from banks.

Further, as at 31 December 2017, we provided a guarantee in respect of UTE's borrowings of up to RMB15 million and in 2017, we made payments on behalf of certain related parties of RMB1.1 million.

As at the Latest Practicable Date, all the amount due from our related parties (other than trade receivables) had been fully settled. Further, all the guarantees we have provided to related parties and vice versa either have been discharged or will be discharged prior to or upon Listing.

Our Directors confirm that (i) the sales to and purchases from related parties during the Track Record Period were made according to the published prices and conditions offered to or by our major customers (as the case may be) and such related party transactions during the Track Record Period were conducted on an arm's length basis; and (ii) any material related party transactions during the Track Record Period would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance.

See Note 37 to the Accountants' Report included in Appendix I to this prospectus for further details of our related party transactions during the Track Record Period.

### **DISTRIBUTABLE RESERVES**

As at 31 December 2017, we did not have any distributable reserves available for distribution to our Shareholders.

### **DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES**

Save as disclosed in Note 37 to the Accountants' Report included in Appendix I to this prospectus, our Directors have confirmed that, as at 31 December 2017, being the date to which the latest combined financial statements of our Group were made up, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### **LISTING EXPENSES**

Assuming an Offer Price of HK\$3.12 per Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the aggregate commissions and fees, together with the Hong Kong Stock Exchange listing fee, SFC transaction levy and Hong Kong Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering, which are payable by us are estimated to amount in aggregate to be approximately RMB61.3 million. In 2015, 2016 and 2017, listing expenses charged to profit or loss were nil, nil and RMB7.0 million, respectively. We expect to charge the estimated remaining listing expenses of RMB22.7 million to profit or loss during the year ending 31 December 2018 and to capitalize approximately RMB31.6 million following the Listing.

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## FINANCIAL INFORMATION

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### RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our business model, revenue structure and cost structure basically remained unchanged, subsequent to the Track Record Period and up to the date of this prospectus. Based on the unaudited financial information of our Group, we continued to record growth in our revenue in the first quarter of 2018 compared to the corresponding period in 2017. Such growth in our revenue was principally driven by increased sales of our solutions in particular for application in the new energy category. Further, we have recently been engaged by, and entered into a service agreement with, TTTech to provide them with automated driving related engineering services. See “Business — Research and Development — Cooperation agreements in research and development” for details.

Subsequent to the Track Record Period and up to the Latest Practicable Date, save for the listing expenses as disclosed in “Listing Expenses” above, we did not have any significant non-recurrent items in our combined statement of profit or loss and other comprehensive income.

Our Directors confirm that, as far as they are aware, there had been no material adverse change in our financial or trading position or prospects since 31 December 2017, being the date to which the latest combined financial statements of our Group were made up, up to the date of this prospectus.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### BACKGROUND OF THE CONTROLLING SHAREHOLDERS

Our Company is an exempted company incorporated in the Cayman Islands with limited liability on 3 January 2017. Immediately following completion of the Global Offering and the Capitalization Issue, and taking no account of any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, our Company will be directly owned as to approximately 52.5% by Magnate Era (holding 525,000,000 Shares) and 7.5% by each of Zenith Benefit, Treasure Map and Heroic Mind. Both Magnate Era and Zenith Benefit are jointly owned by Mr Luk and Mr Chan in equal shares, while Treasure Map and Heroic Mind are wholly-owned by Mr Luk and Mr Chan respectively. Accordingly, Magnate Era and its shareholders (namely Mr Luk and Mr Chan) are our group of Controlling Shareholders pursuant to the Listing Rules.

In preparation for the Listing, our Group underwent the Reorganization whereby Mr Luk and Mr Chan chose to hold their interests in our Company commonly through Magnate Era and Zenith Benefit as well as individually through Treasure Map and Heroic Mind. Therefore Mr Luk, Mr Chan, Magnate Era, Zenith Benefit, Treasure Map and Heroic Mind are considered to be our group of Controlling Shareholders. Immediately following completion of the Global Offering and the Capitalization Issue and taking no account of any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, the aggregate interests of Mr Luk and Mr Chan in our Company held indirectly through the aforesaid four holding companies represent 75.0% of the total issued share capital of our Company.

### DELINEATION OF BUSINESS

Magnate Era, Zenith Benefit, Treasure Map and Heroic Mind all primarily engage in investment holding activities. There exists a clear delineation between the principal business operated by our Group and those of the businesses and/or companies outside of our Group (including UTE) in which the Controlling Shareholders maintained controlling interests.

UTE is wholly owned by United Trinity Holdings Limited, a limited company incorporated in Hong Kong, which in turn is owned by Decisions Investment Limited and an independent third party as to 90.0% and 10.0%, respectively. Decisions Investment Limited was incorporated in the BVI and is owned by Mr Luk and Mr Chan (each being a Controlling Shareholder) in equal shares. UTE is one of our five largest customers during the Track Record Period. Our sales to UTE in 2015, 2016 and 2017 amounted to RMB17.5 million, RMB47.2 million and RMB61.2 million, respectively, representing 2.4%, 4.1% and 4.2% of our total revenue for the respective years. We also made purchases from UTE amounting to RMB125,000, RMB343,000 and RMB8,000 in 2015, 2016 and 2017, respectively, representing 0.02%, 0.03% and 0.00% of our total cost of sales for the respective years. Given the proportional insignificance of our transactions with UTE to the total sales and purchases of our Group as illustrated above, we consider that we have not in the past placed, and do not expect in the foreseeable future to place, any reliance on UTE in achieving the sustainability of our operations. Our Directors further confirmed that we will cease all purchases from UTE after Listing. None of our Directors is a director of UTE.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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According to its business licence, UTE primarily engages in the business of, among other aspects, manufacturing of automobile composite metres, sensors, centralized control devices, automobile components and accessories and pressure sensors.

Notwithstanding that we have on-going connected transactions with UTE which are expected to continue after Listing, our Directors consider the respective business operations of our Group and of UTE to be non-competitive and well delineated from each other in terms of the following parameters:

	<b>Our Group</b>	<b>UTE</b>
Positioning along the automobile industry:	<ul style="list-style-type: none"> <li>Upstream industry participant</li> </ul>	<ul style="list-style-type: none"> <li>Downstream industry participant</li> </ul>
Nature of operations:	<ul style="list-style-type: none"> <li>Provision of automotive electronics solutions</li> </ul>	<ul style="list-style-type: none"> <li>Manufacturing and sales of automobile composite meters, sensors, centralized control devices, pressure sensors as well as other automobile components and accessories</li> </ul>
Primary source of supplies:	<ul style="list-style-type: none"> <li>Manufacturers and distributors of semiconductor devices, all of which are independent of UTE</li> </ul>	<ul style="list-style-type: none"> <li>Provider of electronics solutions (from us), as well as suppliers of electronic devices, printed circuit boards, molds and packaging materials which are all independent third parties of our Group</li> </ul>
Target customers:	<ul style="list-style-type: none"> <li>A diverse base of OEMs, automotive part suppliers and customers in the industrial sector</li> </ul>	<ul style="list-style-type: none"> <li>Sizeable diesel engine and commercial vehicle manufacturing plants, all of which are distinguishable from customers of our Group</li> </ul>

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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Accordingly, our Directors are satisfied that none of the Controlling Shareholders or any of their respective close associates were involved in businesses or held any interest directly or indirectly in any active companies as at the Latest Practicable Date that would, directly or indirectly, compete or likely to compete with our business and would require further disclosure under Rule 8.10 of the Listing Rules. In order to better safeguard our Group against potential competition in the future, the Controlling Shareholders have entered into the Deed of Non-Competition in favour of our Company (for ourselves and as trustee for our subsidiaries).

### DEED OF NON-COMPETITION

Each of the Controlling Shareholders has entered into the Deed of Non-Competition in favour of our Company (for ourselves and as trustee for our subsidiaries) pursuant to which each of them has, among other matters, irrevocably and unconditionally undertaken with us on a joint and several basis that, at any time during the Relevant Period (as defined below), he/it shall, and shall procure that his/its respective subsidiaries (other than our Group) and close associates shall:

- (i) not, directly or indirectly, be interested, involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise, and whether for profit, reward or otherwise) in any business which competes or is likely to compete directly or indirectly with the business currently engaged or in the future to be engaged by our Group in Hong Kong and the PRC (the “Restricted Business”);
- (ii) not take any action, directly or indirectly, which constitutes an interference with or a disruption to the business activities of our Group including, but not limited to, solicitation of any existing customers, suppliers or employees of our Group;
- (iii) not, without our prior consent, make use of any information pertaining to our business which may have come to their knowledge in the capacity as the Controlling Shareholders for any purpose of engaging, investing or participating in any Restricted Business;
- (iv) if there is any project or new business opportunity that relates to the Restricted Business (the “Business Opportunity”) available to any of the Controlling Shareholders or their close associates (other than members of our Group), inform us in writing of such Business Opportunity immediately, and as soon as practicable thereafter provide us with all information which is reasonably necessary for us to consider the merits of such Business Opportunity. Further, the following shall also apply:
  - (a) the relevant Controlling Shareholder shall give us a first right of refusal to participate or engage in such Business Opportunity;



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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (b) the relevant Controlling Shareholder shall not pursue such Business Opportunity until we have confirmed in writing that we do not plan to participate or engage in the same. Any of such decisions must be approved by our INEDs taking into account factors including (i) the prevailing business, legal, regulatory and contractual landscape of our Group; (ii) any applicable results of feasibility study; (iii) counterparty risks; (iv) contemplated profitability; (v) the financial resources required for such Business Opportunity; and (vi) where necessary, any opinion from experts on the commercial viability of the same; and
- (c) if we have decided not to pursue such Business Opportunity, the relevant Controlling Shareholder may participate in such Business Opportunity but only on the conditions that the principal terms on which the relevant Controlling Shareholder and/or his/its close associates will participate in such Business Opportunity are substantially the same as or not more favourable than those disclosed to us and that the relevant Controlling Shareholder shall disclose to us the terms of such participation as soon as practicable;
- (v) keep the Directors (including the INEDs) informed of any potential conflicts of interests between each of the Controlling Shareholders (including his/its close associates) and our Group, in particular any transaction between any of the Controlling Shareholders (including his/its close associates) and our Group; and
- (vi) as soon as practicable upon our request provide to the Directors (including the INEDs):
  - (a) a written confirmation on an annual basis in respect of compliance by him/it with the terms of the Deed of Non-Competition;
  - (b) all information necessary for the review and enforcement of the undertakings contained in the Deed of Non-Competition by the INEDs with regard to such compliance; and
  - (c) their respective consent to the inclusion of such confirmation in our annual report or by way of an announcement, and all such other information as we may reasonably request.

The undertakings in the Deed of Non-Competition will become effective from the Listing Date.

For the above purpose, the “Relevant Period” means the period commencing from the Listing Date and ending on the date on which any of the following events shall first occur:

- (i) the Controlling Shareholders and their close associates (individually or taken as a whole) cease to own, directly or indirectly, an aggregate of 30% or more of the issued share capital of our Company or cease to be our controlling shareholders for the purpose of the Listing Rules;

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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- (ii) the Shares cease to be listed on the Hong Kong Stock Exchange; and
- (iii) our Company becomes wholly-owned by any of the Controlling Shareholders and/or their respective close associates.

### INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having taken into account the following factors, our Directors are satisfied that our Group is capable of carrying on our business independently of the Controlling Shareholders and their close associates subsequent to the Listing.

#### Management independence

Our Group's management and operational decisions are made by our Board and a team of senior management. Our Board consists of seven members comprising four executive Directors and three INEDs.

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

Mr Luk, Mr Chan, Mr Ng Ming Chee and Mr Chan Ming are executive Directors who will oversee the daily operations of our Group. All other essential day-to-day management functions have been and will be performed by members of our senior management team and accordingly supervised by the Board, without unduly requiring any form of support or assistance of the Controlling Shareholders and/or close associates. Members of the senior management team possess experience and understanding of their respective departmental disciplines and the general industry environment in which our Group operates. The Board is hence satisfied that they are able to carry out the business decisions independently.

The INEDs have been appointed in compliance with the requirements under the Listing Rules to ensure that decisions of the Board will be made only after due consideration of independent and impartial opinions, and that they will bring independent judgment to the decision-making process of the Board. Our Directors are of the view that the presence of INEDs provides a balance of views and opinions. Further, the Board acts collectively by majority decisions in accordance with the Articles of Association and laws and no single Director is supposed to have any decision-making power unless otherwise authorized by the Board.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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In addition, our Group has adopted certain corporate governance measures for conflict situation in order to safeguard the interests of our Shareholders as a whole, details of which are set out in “— Corporate Governance Measures” below. Having considered the foregoing factors, our Directors are of the view that our Group is capable of managing the business independently of Magnate Era, Zenith Benefit, Treasure Map, Heroic Mind, Mr Luk and/or Mr Chan (including their respective close associates) after the Listing.

### **Operational independence**

Our Group possesses an independent work force to carry out research and development, sales and marketing, technical support, customer service and logistic and administration and support functions and has not shared our operation team with the Controlling Shareholders. There are internal control procedures, which will be reviewed by members of the senior management team from time to time, for ensuring an effective operation of our business. Other than those transactions set out in “Connected Transaction” which will fully comply with the applicable requirements under the Listing Rules, no business transactions conducted between our Group on one hand and the Controlling Shareholders and/or their respective close associates on the other hand during the Track Record Period will continue after the Listing. Furthermore, our Group has our own sales and marketing channels, as well as sources of suppliers and customers, all being independent third parties and independent of any of the Controlling Shareholders and/or his/its close associates save for UTE which has since 2005 been and will continue to be upon Listing our customer for our automotive electronics solutions.

In light of the factors set out above, our Directors consider that our Group has operated during the Track Record Period, and will continue upon Listing to operate, independently of any of the Controlling Shareholders and/or any of their respective close associates.

### **Financial independence**

As at 31 December 2017, Mr Luk and Mr Chan (and their respective associates) provided guarantees in respect of our Group’s bank loans of up to RMB156.5 million. Our Directors confirmed that all such guarantees will be released before Listing. The Directors further confirmed that our Group does not have any intention to seek the Controlling Shareholders to provide securities or guarantees in favour of our borrowings in the foreseeable future. As such, our Directors are of the view that we are capable of obtaining financing from external sources without reliance on the Controlling Shareholders and could therefore operate independently from the financial perspective.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### CORPORATE GOVERNANCE MEASURES

In order to properly manage any potential or actual conflict of interests between the Controlling Shareholders and our Group, our Company proposed to adopt the following corporate governance measures:

- (i) the Directors shall comply with the provisions in the Articles of Association which require that interested Director(s) not to vote (nor be counted in the quorum) on any resolutions of the Board approving any contracts or arrangements in which he or any of his close associates is materially interested or other proposals in relation to the compliance and enforcement of the Deed of Non-Competition;
- (ii) the INEDs shall review, at least on an annual basis, the extent of compliance by the Controlling Shareholders and enforcement of the terms of the Deed of Non-Competition (including but not limited to the decision as to whether or not to pursue any Business Opportunity referred to under “— Deed of Non-Competition” above). Our Company shall disclose any decisions on the foregoing matters (with basis thereof) reviewed and approved by the INEDs either through our annual report or by way of an announcement;
- (iii) the Controlling Shareholders have undertaken that they will, and will procure their respective close associates (where appropriate) to, provide all information reasonably required by the INEDs to assist them in the review and assessment. The Controlling Shareholders have also undertaken that they will make an annual declaration on the compliance with the Deed of Non-Competition and the connected transaction agreements in the annual report;
- (iv) our Company has appointed First Shanghai Capital Limited as the compliance adviser who shall provide us with professional advice and guidance in respect of compliance with the Listing Rules; and
- (v) any transaction between (or proposed to be entered into between) our Group and any of our connected persons will be required to comply with the relevant provisions under Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting, annual review and independent Shareholders’ approval requirements and with those conditions imposed by the Hong Kong Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules.

Our Directors consider that the above corporate governance measures are sufficient to address and manage any potential conflict of interests between the Controlling Shareholders (including their close associates) and our Group, and to safeguard the interests of our Shareholders particularly the minority Shareholders.

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## CONNECTED TRANSACTION

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### OVERVIEW

The transaction set out below in this section, which has been carried out by our Group with our connected person in our ordinary and usual course of business on either normal commercial terms or terms not less favourable to our Company than those available from independent third parties, is expected to continue following the Listing and be subject to the announcement, circular and independent shareholders' approval requirements for the purpose of Chapter 14A of the Listing Rules. Accordingly, such transaction will constitute a non-exempt continuing connected transaction within the meaning of the Listing Rules (the "Non-exempt Continuing Connected Transaction").

### CONNECTED PERSON

#### UTE

According to its business licence, UTE primarily engages in the business of, among other aspects, manufacturing of automobile composite metres, sensors, centralized control devices, automobile components and accessories and pressure sensors. UTE, as at the Latest Practicable Date, was wholly owned by United Trinity Holdings Limited, a limited company incorporated in Hong Kong, which was in turn owned by Decisions Investment Limited and an independent third party as to 90.0% and 10.0%, respectively. Decisions Investment Limited was incorporated in the BVI and, as at the Latest Practicable Date, owned by Mr Luk and Mr Chan (each being a Controlling Shareholder) in equal shares.

In light of the foregoing, UTE is a connected person of our Company pursuant to Rule 14A.07 of the Listing Rules.

### NON-EXEMPT CONTINUING CONNECTED TRANSACTION

#### Framework Supply Agreement

##### *Background*

Our Company (for itself and on behalf of other members of our Group) entered into a framework supply agreement dated 6 June 2018 (the "Framework Supply Agreement") with UTE for a term ending on 31 December 2020, pursuant to which our Group would offer UTE automotive electronics solutions covering design, development, testing and sourcing of semiconductors as well as smart pressure-detecting wafers to facilitate its manufacturing and/or processing of certain automobile components such as electronic motor lubricant pressure sensors and engine torque control units.

##### *Reasons for the transaction*

UTE has been engaging Shanghai Intron and G-Pulse as the suppliers of automotive electronics solutions since 2005 for the purpose of its automobile parts manufacturing operations. Our business relationship with UTE has been longstanding, and the Directors consider that it is in the interest of our Group to continue with the fulfilment of purchase orders placed by UTE after Listing.

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## CONNECTED TRANSACTION

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### ***Pricing policy***

The purchase price payable by UTE to our Group has been, and will continue to be, mutually agreed following arm's length negotiations with reference to the published prices and conditions offered to our major customers. The fee of the automotive electronics solutions to be provided by our Group shall be determined on an arm's length basis in accordance with the market price of the relevant automotive electronics solutions at the time when the individual purchase order is placed. The market price shall be determined in accordance with (i) the price and terms quoted to no less than two independent third parties to which our Group provides similar automotive electronics solutions on normal commercial terms in the ordinary course of businesses in the regions or in proximity to the regions where such automotive electronics solutions are to be provided; or (ii) in the event that (i) is inapplicable, it shall be determined by both parties to the Framework Supply Agreement on an arm's length basis and on normal commercial terms.

### ***Historical transaction value***

In 2015, 2016 and 2017, the aggregate amount of revenue generated by our Group from the provision of automotive electronics solutions to UTE amounted to approximately RMB17,515,000, RMB47,182,000 and RMB61,194,000, respectively, representing 2.4%, 4.1% and 4.2% of our total revenue of the respective years. The increase during the Track Record Period was mainly attributable to the changes in sales volume of automobile products under manufacturing and/or processing by UTE which correlated to its demand for automotive electronics solutions from us. UTE was one of our five largest customers during the Track Record Period.

### ***Proposed annual caps***

In light of the similarity of the nature of solutions and products supplied by each of Shanghai Intron and G-Pulse to UTE during the Track Record Period, our historical revenue figures with respect to both aforesaid transactions have been aggregated with a view to arriving at a fair and objective estimation of annual caps. The proposed annual caps of the consideration to be paid by UTE to our Group for the automotive electronics solutions under the Framework Supply Agreement for 2018, 2019 and 2020 will amount to RMB72,822,000, RMB82,892,000 and RMB93,834,000, respectively.

### ***Basis of the annual caps***

Such proposed caps are determined on the basis of (i) our historical transaction amounts with UTE, (ii) possible adjustments to costs of labour and materials with reference to the prevailing economic conditions; and (iii) forecast on the unit price and quantity of end-products to be manufactured and/or processed by UTE to meet the market demand estimated for the three years ending 31 December 2018, 2019 and 2020.

### ***Implications under the Listing Rules***

Since each of the applicable percentage ratios (other than the profits ratio) under Chapter 14 of the Listing Rules in respect of the Framework Supply Agreement is, on an annual basis, more than 5%, the transaction thereunder will be subject to reporting, annual review, announcement, circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## **CONNECTED TRANSACTION**

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### **APPLICATION FOR WAIVER**

As the Non-exempt Continuing Connected Transaction will continue after Listing on a recurring basis, our Directors consider that strict compliance with the announcement, circular and independent shareholders' approval requirements under the Listing Rules would be burdensome and would add unnecessary administrative costs to us each time when such transaction arises. As a result, we have applied for a waiver from compliance with the applicable requirements under Rule 14A.105 of the Listing Rules and the Hong Kong Stock Exchange has agreed to grant a waiver to exempt the Non-exempt Continuing Connected Transaction from strict compliance with the announcement, circular and independent shareholders' approval requirements under the Listing Rules subject to the actual transaction amount incurred within each of the corresponding periods not to exceed the relevant annual cap amount as stated above.

### **CONFIRMATION FROM DIRECTORS/SOLE SPONSOR**

#### **Confirmation from Directors**

Our Directors (including the INEDs) confirm that the Non-exempt Continuing Connected Transaction has been and will be entered into in or incidental to the ordinary and usual course of the business of our Group and is based on normal commercial terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps for the Non-exempt Continuing Connected Transaction are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

#### **Confirmation from the Sole Sponsor**

Having taken into account the information above, the Sole Sponsor is of the view that (i) the Non-exempt Continuing Connected Transaction has been and will be entered into in or incidental to the ordinary and usual course of the business of our Group, on normal commercial terms/on terms no less favorable to us than terms available to independent third parties and are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the proposed annual caps for the Non-exempt Continuing Connected Transaction are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

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## CORNERSTONE INVESTOR

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### THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement with Heroic Achiever Limited (the “**Cornerstone Investor**” or “**Heroic Achiever**”) who has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of US\$17.0 million at the Offer Price (inclusive of the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee):

- assuming an Offer Price of HK\$3.33 (being the high-end of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed for by Heroic Achiever will be 39,671,000 Shares (rounded down to the nearest whole board lot), representing approximately 15.9% of the Offer Shares and approximately 4.0% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Option Scheme;
- assuming an Offer Price of HK\$3.12 (being the mid-point of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed for by Heroic Achiever will be 42,341,000 Shares (rounded down to the nearest whole board lot), representing approximately 16.9% of the Offer Shares and approximately 4.2% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Option Scheme;
- assuming an Offer Price of HK\$2.90 (being the low-end of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed for by Heroic Achiever will be 45,554,000 Shares (rounded down to the nearest whole board lot), representing approximately 18.2% of the Offer Shares and approximately 4.6% of the Shares in issue immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Option Scheme; and
- assuming an Offer Price of HK\$2.61 (being the offer price after making a Downward Offer Price Adjustment of 10%), the total number of Shares to be subscribed for by Heroic Achiever will be 50,615,000 Shares (rounded down to the nearest whole board lot), representing approximately 20.2% of the Offer Shares and approximately 5.1% of the Shares in issue immediately upon completion of the Global Offering and the Capitalization Issue, assuming the Over-allotment Option is not exercised and no Shares are issued under the Share Option Scheme.

Heroic Achiever is a company incorporated in the BVI with limited liability. Heroic Achiever is an investment entity wholly-owned by Bull Capital China Growth Fund II, L.P. (“**Fund II**”), an exempted limited partnership registered in the Cayman Islands, and Bull Capital GP II Limited, a Cayman Islands entity, is the general partner of Fund II. Bull Capital Partners Ltd. is the investment manager of Fund II. According to information provided by Heroic Achiever, Fund II is a private equity fund dedicated to direct investment primarily in high growth companies based or operating in the Greater China Region, including China, Hong Kong, Macau and Taiwan with particular emphasis on consumption/retail and services, advance manufacturing/technology and environment-related sectors.



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## CORNERSTONE INVESTOR

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The subscription of the Offer Shares by the Cornerstone Investor forms part of the International Offering. The Shares to be subscribed for by the Cornerstone Investor will not be affected by any reallocation of the Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation”.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, each of the Cornerstone Investor and its ultimate beneficial owners is an independent third party of our Company. The Shares to be subscribed for by the Cornerstone Investor will be counted towards the public float of our Company and will rank *pari passu* with the Shares then in issue and to be listed on the Hong Kong Stock Exchange. Other than the subscription pursuant to the cornerstone investment agreement, the Cornerstone Investor has agreed not to subscribe for any Offer Shares under the Global Offering. Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any Board representation in our Company, nor will it become a substantial shareholder or a connected person of our Company.

### CONDITIONS PRECEDENT

The subscription obligation of the Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into, become effective and having become unconditional and not having been terminated by no later than the time and date as respectively specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement;
- (b) the Offer Price having been agreed upon between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters);
- (c) the Listing Committee having granted the approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option), the Capitalization Issue and the exercise of any options which may be granted under the Share Option Scheme and that such approval or permission not having been revoked prior to the commencement of dealings in the Shares on the Hong Kong Stock Exchange;
- (d) no laws having been enacted or promulgated by any governmental authority (as defined in the respective cornerstone agreements) which prohibit the consummation of the transactions contemplated under the Global Offering or under the cornerstone investment agreement and there being no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of the transactions contemplated under the Global Offering or under the respective cornerstone investment agreement; and

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## **CORNERSTONE INVESTOR**

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- (e) the respective representations, warranties, acknowledgements, undertakings and confirmations of the Cornerstone Investor and, as the case may be, our Company are (as of the date of the respective cornerstone investment agreement) and will be (as of the closing date) accurate and true in all material respects and not misleading and that there is no material breach of the respective cornerstone investment agreement on the part of the Cornerstone Investor and, as the case may be, our Company.

### **RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS**

The Cornerstone Investor has agreed that, without the prior written consent of each of our Company, the Sole Sponsor and the Sole Global Coordinator, it will not at any time during the period of six months following the Listing Date dispose of (as defined in the cornerstone investment agreement) any of the Shares to be subscribed pursuant to the cornerstone investment agreement.

The Cornerstone Investor, may transfer the Shares so subscribed in certain limited circumstances, such as transfer to its wholly-owned subsidiary, provided that such transferee agrees to be subject to the restrictions on disposals imposed on such Cornerstone Investor.

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## SHARE CAPITAL

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### AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the completion of the Global Offering and the Capitalization Issue:

#### Authorized share capital

	<b>HK\$</b>
2,400,000,000 Shares of HK\$0.01 each	24,000,000

#### Issued and to be issued, fully paid or credited as fully paid, immediately upon completion of the Global Offering and the Capitalization Issue

Assuming the Over-allotment Option is not exercised and taking no account of any Shares that may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Global Offering and the Capitalization Issue will be as follows:

	<i>HK\$</i>
1,000 Shares in issue at the Latest Practicable Date	10
250,000,000 Shares to be issued pursuant to the Global Offering	2,500,000
749,999,000 Shares to be issued pursuant to the Capitalization Issue	<u>7,499,990</u>
<b><u>1,000,000,000</u></b> Shares in total	<b><u>10,000,000</u></b>

Assuming the Over-allotment Option is exercised in full and taking no account of any Shares that may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Global Offering and the Capitalization Issue will be as follows:

	<i>HK\$</i>
1,000 Shares in issue at the Latest Practicable Date	10
250,000,000 Shares to be issued pursuant to the Global Offering	2,500,000
749,999,000 Shares to be issued pursuant to the Capitalization Issue	7,499,990
37,500,000 Shares to be issued pursuant to the Over-allotment Option	<u>375,000</u>
<b><u>1,037,500,000</u></b> Shares in issue upon exercise of the Over-allotment Option in full	<b><u>10,375,000</u></b>

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## SHARE CAPITAL

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### ASSUMPTIONS

The above tables assume that the Global Offering becomes unconditional and 999,999,000 Shares are issued pursuant to the Global Offering and the Capitalization Issue. The above tables also do not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors referred to below.

### RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls on or after the Listing Date.

### ALTERATION OF SHARE CAPITAL

Pursuant to the Cayman Companies Law and the terms of our Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase our capital; (ii) consolidate and divide our capital into shares of larger amount; (iii) divide our shares into several classes; (iv) subdivide our shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Companies Law, reduce our share capital or capital redemption reserve by our shareholders passing a special resolution. See “Summary of the Constitution of our Company and Cayman Companies Law — Articles of Association — Alteration of capital” in Appendix III to this prospectus for further details.

### SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. See “Statutory and General Information — Other Information — 13. Share Option Scheme” in Appendix IV to this prospectus for further details.

### GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering and the Capitalization Issue (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Share Option Scheme); and
- the aggregate nominal value of Shares repurchased by us under the authority referred to in “— General Mandate to Repurchase Shares” below.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

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## SHARE CAPITAL

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- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See "Statutory and General Information — About our Company — 3. Resolutions in writing of the Shareholders passed on 22 June 2018" in Appendix IV to this prospectus for further details of this general mandate.

### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering and the Capitalization Issue (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Share Option Scheme).

The repurchase mandate only relates to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in "Statutory and General Information — About our Company — 7. Repurchase by our Company of our own securities" in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See "Statutory and General Information — About our Company — 7. Repurchase by our Company of our own securities" in Appendix IV to this prospectus for further details.

## INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

### PERSONS HAVING NOTIFIABLE INTERESTS UNDER THE SFO

So far as is known to our Directors and chief executive, immediately following the completion of the Global Offering and the Capitalization Issue (but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the following persons (other than a Director or chief executive of our Company) will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the issued voting shares of any members of our Group other than our Company:

<u>Name of Shareholder</u>	<u>Nature of interest</u>	<u>Number of securities held <sup>(1)</sup></u>	<u>Approximate shareholding percentage (%)</u>
Magnate Era <sup>(2)</sup>	Beneficial owner	525,000,000 Shares (L)	52.50%
Zenith Benefit <sup>(3)</sup>	Beneficial owner	75,000,000 Shares (L)	7.50%
Treasure Map <sup>(4)</sup>	Beneficial owner	75,000,000 Shares (L)	7.50%
Mr Luk	Interest of controlled corporations	675,000,000 Shares (L) <sup>(5)</sup>	67.50%
Heroic Mind <sup>(6)</sup>	Beneficial owner	75,000,000 Shares (L)	7.50%
Mr Chan	Interest of controlled corporations	675,000,000 Shares (L) <sup>(7)</sup>	67.50%
Ms Zhang Dan	Interest of spouse	675,000,000 Shares (L) <sup>(8)</sup>	67.50%
Ms Zhang Hui	Interest of spouse	675,000,000 Shares (L) <sup>(9)</sup>	67.50%

*Notes:*

1. The letter "L" denotes "long position" (as defined under Part XV of the SFO) of the relevant person/entity in such Shares.
2. As at the Latest Practicable Date, Magnate Era was a corporate Controlling Shareholder legally and beneficially owned by both Mr Luk and Mr Chan in equal shares.
3. As at the Latest Practicable Date, Zenith Benefit was a corporate Controlling Shareholder legally and beneficially owned by both Mr Luk and Mr Chan in equal shares.
4. As at the Latest Practicable Date, Treasure Map was a corporate Controlling Shareholder legally and beneficially owned as to 100.0% by Mr Luk.
5. As disclosed in Notes 2 to 4 above, Mr Luk owned 50.0% of Magnate Era, 50.0% of Zenith Benefit and 100.0% of Treasure Map (all being corporate Controlling Shareholders). Accordingly, he will be deemed, upon Listing, under the SFO to be interested in the entirety of 675,000,000 Shares directly held by the aforesaid three holding companies immediately following completion of the Global Offering and the Capitalization Issue.
6. As at the Latest Practicable Date, Heroic Mind was a corporate Controlling Shareholder legally and beneficially owned as to 100.0% by Mr Chan.

## INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

7. As disclosed in Notes 2, 3 and 6 above, Mr Chan owned 50.0% of Magnate Era, 50.0% of Zenith Benefit and 100.0% of Heroic Mind (all being corporate Controlling Shareholders). Accordingly, he will be deemed, upon Listing, under the SFO to be interested in the entirety of 675,000,000 Shares directly held by the aforesaid three holding companies immediately following completion of the Global Offering and the Capitalization Issue.
8. Ms Zhang Dan is the spouse of Mr Luk. Under the SFO, Ms Zhang Dan is deemed to be interested in the entirety of the 675,000,000 Shares in which Mr Luk is interested.
9. Ms Zhang Hui is the spouse of Mr Chan. Under the SFO, Ms Zhang Hui is deemed to be interested in the entirety of the 675,000,000 Shares in which Mr Chan is interested.
10. Heroic Achiever Limited (“Heroic Achiever”) has agreed to subscribe, as a cornerstone investor, for such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of US\$17.0 million at the Offer Price (inclusive of the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee). Assuming an Offer Price of HK\$3.12, being at the mid-point of the Offer Price range set out in this prospectus, the total number of Shares to be held by Heroic Achiever immediately following the completion of the Global Offering would be approximately 42,341,000 Shares (long position), representing approximately 4.2% of the Shares in issue upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised). Assuming an Offer Price of HK\$2.61, being the offer price after making a Downward Offer Price Adjustment of 10%, the total number of Shares to be held by Heroic Achiever immediately following the completion of the Global Offering would be approximately 50,615,000 Shares (long position), representing approximately 5.1% of the Shares in issue upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised), and Heroic Achiever will be a substantial Shareholder under the SFO. Heroic Achiever is an investment entity wholly owned by Bull Capital China Growth Fund II, L.P. (“Fund II”), an exempted limited partnership registered in the Cayman Islands, and Bull Capital GP II Limited, a Cayman Islands entity, is the general partner of Fund II. Bull Capital Partners Ltd. is the investment manager of Fund II. Fund II, Bull Capital GP II Limited and Bull Capital Partners Ltd. will therefore be deemed to be interested in the Shares held by Heroic Achiever under the SFO. For details, see “Cornerstone Investor”.

Our group of Controlling Shareholders are subject to a non-disposal undertaking pursuant to the Listing Rules in relation to, among other matters, disposal of Shares held by Magnate Era, Zenith Benefit, Treasure Map, Heroic Mind, Mr Luk and Mr Chan (except in connection with the Global Offering). Please see “Underwriting — Underwriting Arrangements And Expenses — Lock-up undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules — Undertakings by our group of Controlling Shareholders” for further details.

Save as disclosed in this section, our Directors are not aware of any persons (other than a Director or chief executive of our Company) who will, immediately following completion of the Global Offering and the Capitalization Issue (but without taking into account any Shares which may allotted and issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 or 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of any member of our Group other than our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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## DIRECTORS AND SENIOR MANAGEMENT

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### DIRECTORS

Our Board consists of seven Directors comprising four executive Directors and three INEDs. Our Board of Directors is responsible for and has general powers for the management and conduct of our business.

The following table provides certain information in respect of the members of our Board:

Name	Age	Position	Date joining our Group	Date of appointment as a Director	Roles and responsibilities
Mr Luk Wing Ming (陸穎鳴)	48	Chairman, Co-CEO & executive director	January 2001	3 January 2017	Mr Luk is responsible for our strategic development and business operations.
Mr Chan Cheung Ngai (陳長藝)	45	Co-CEO & executive director	January 2001	3 January 2017	Mr Chan is responsible for our overall strategic planning and business development direction.
Mr Chan Ming (陳銘)	48	Executive director	November 2005	23 January 2018	Mr Chan is responsible for our marketing and business development.
Mr Ng Ming Chee (黃晞華)	52	Chief financial officer & executive director	September 2016	23 January 2018	Mr Ng is responsible for our financial and public relations matters.
Mr Jiang Yongwei (江永瑋)	47	INED	June 2018	June 2018	Mr Jiang is responsible for supervising and providing independent judgment to our Board.



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## DIRECTORS AND SENIOR MANAGEMENT

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Name	Age	Position	Date joining our Group	Date of appointment as a Director	Roles and responsibilities
Mr Yu Hong (余宏)	64	INED	June 2018	June 2018	Mr Yu is responsible for supervising and providing independent judgment to our Board.
Mr Tsui Yung Kwok (徐容國)	49	INED	June 2018	June 2018	Mr Tsui is responsible for supervising and providing independent judgment to our Board.

### Executive Directors

**Mr Luk Wing Ming (陸穎鳴)**, aged 48, is a co-founder and an executive director of our Company. Mr Luk is also our Chairman and co-CEO responsible for our strategic development and business operations. Mr Luk also holds positions in other members of our Group; he is a director of Shanghai Intron, Intron HK and Evertronics; a supervisor of G-Pulse and Beijing G-Pulse; and the legal representative, an executive director and the general manager of Intron China.

Mr Luk has over 20 years of working experience including 16 years of experience in automotive electronics. Prior to our founding in 2001, Mr Luk worked in Array Electronics (China) Ltd., a semiconductor distributor, from February 1996 to January 2001. He was initially a sales executive and was then promoted to strategic marketing manager. Mr Luk graduated with a Master of Business Administration from China Europe International Business School, the PRC and a Bachelor of Engineering in materials engineering from Shanghai Jiaotong University, the PRC.

Mr Luk, who is an executive Director of the Company, will also continue to assume the responsibilities as our Chairman and co-CEO upon the Listing. Code provision A.2.1 of the Corporate Governance Code in Appendix 14 to the Listing Rules states that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Our Board believes that Mr Luk should continue to assume the responsibilities of a co-CEO of our Company upon the Listing as this arrangement will improve the efficiency of our decision-making and execution process. In addition to Mr Luk, Mr Chan, an executive Director, will be a co-CEO of our Group following the Listing. Further, our Company has put in place an appropriate check-and-balance mechanism through the Board and the INEDs. In light of the above, our Board considers that the deviation from Code provision A.2.1 of the Corporate Governance Code is appropriate in the circumstances of our Company.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr Chan Cheung Ngai (陳長藝)**, aged 45, is a co-founder and an executive director of our Company. Mr Chan is also our co-CEO responsible for our overall strategic planning and business development. Mr Chan also holds positions in other members of our Group; he is the legal representative and an executive director of G-Pulse; a director of Beijing G-Pulse and Intron HK and a supervisor of Intron China. Since the early stage of our Group's development, Mr Chan has been involved in the product design process and has been named as an inventor in a number of our patents, including the patent for an electric control board of machine oil pressure sensor of engine (patent number: ZL 03 2 55715.9) and an automobile instrument comprehensive checking device (patent number: ZL 2009 2 0209166.9). As an executive director of G-Pulse, Mr Chan also oversees its research and development function.

Since the establishment of our Group, we have taken a number of key strategic directions under Mr Chan's vision to develop our Group into a leading player in the industry focused on providing high-quality engineering services to customers. Under Mr Chan's leadership, we first set up a dedicated engineering function to develop automotive electronics solutions for OEMs, and we have since then significantly expanded our research and development capabilities, established relationships with key business partners, and shifted our focus to areas such as new energy which has exhibited rapid growth.

Mr Chan has over 20 years of working experience including 16 years of experience in automotive electronics. Prior to setting up our Group in 2001, Mr Chan had about six years of experience in sales with Array Electronics Limited, a company engaged in distribution of electronic devices. Mr Chan joined Array Electronics Limited in March 1994 as a sales engineer and was promoted to his last position as a sales manager in 1998. In the same year, Mr Chan was transferred to Array Electronics (China) Limited to work in the Shanghai office of Array Electronics.

**Mr Chan Ming (陳銘)**, aged 48, is our general manager and an executive Director, and is responsible for marketing and business development of our Group.

Mr Chan graduated with a Bachelor of Engineering (majoring in Electronic and Electrical Engineering) from the University of Birmingham, the United Kingdom in 1992. Mr Chan also obtained a Master of Business Administration from the University of Wales, the United Kingdom in 1994. Mr Chan has more than 20 years of experience in electronic components industry. Mr Chan's career began as a sales engineer for Array Electronics Limited where he worked from 1993 to 1994. Prior to joining our Group in 2005, Mr Chan worked with DMX Technologies (Hong Kong) Limited, a networks solutions provider, from 2001 to 2004 as senior regional sales manager.

Since joining our Group, Mr Chan has been overseeing our team responsible for developing our relationships with suppliers and customers, including domestic automotive OEMs in the PRC and their Tier 1 suppliers. Mr Chan also manages our team of field application engineers.

**Mr Ng Ming Chee (黃晞華)**, aged 52, is our chief financial officer and an executive Director of our Company. Mr Ng is responsible for financial and public relations matters of our Group.

Mr Ng graduated with a Bachelor of Commerce from the University of Western Australia in 1987 and a Master of Business Administration from the Henley Management College/Brunel University in the United Kingdom in 2003. Mr Ng was admitted as a Certified Practising Accountant from the Australian Society of Certified Practising Accountants in November 1995.

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## DIRECTORS AND SENIOR MANAGEMENT

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Prior to joining our Group, Mr Ng had over 30 years of experience in finance. He has worked as chief financial officer, finance director or finance controller for multiple corporations spanning different industries, including film production company Shanghai Oriental DreamWorks Culture Media Co., Ltd. (December 2014 to October 2016), technology solutions provider Telstra (August 2013 to December 2014), credit services provider Fullerton Investment & Credit Guarantee Co., Ltd. (September 2010 to August 2013), orthopaedic products manufacturer Trauson Holdings Company Limited (November 2009 to September 2010), sports promotion company NBA Sports and Culture Development (Beijing) Co., Ltd. (November 2008 to April 2009), subsidiaries of advertising company Publicis Groupe (July 2004 to November 2008), and computer components manufacturer Intel China Ltd. (April 2001 to March 2003).

Mr Ng's career began as a consultant for Coopers & Lybrand Management Consultants Pte Ltd, a provider of accounting and consultancy services, where he worked from May 1990 to May 1993. Until 2001, Mr Ng worked as financial managers/controller of various fast-moving consumer goods manufacturers.

### Independent Non-Executive Directors

**Mr Jiang Yongwei (江永璋)**, aged 47, is an INED.

Mr Jiang graduated with a Bachelor in Metallurgy Engineering from Shanghai Jiaotong University, the PRC in 1992.

Mr Jiang has over 20 years of experience in the automotive industry. Since October 2013, he has been working for automotive technology solutions provider Faurecia Emission Control Technologies Development (Shanghai) Co., Ltd., where he held various positions including China division president (October 2015 to date), China division operations director (February to October 2015), and the general manager of the Wuhan plant (October 2013 to January 2015). From 2012 to 2013, Mr Jiang worked as the general manager of Dongfeng GEFCO, a provider of logistics services for the automotive industry. From 1992 to 1994, he worked as a research and development engineer for Dongfeng Motors.

**Mr Yu Hong (余宏)**, aged 64, is an INED.

Mr Yu graduated with a Master of Business Administration from Shanghai University of Finance and Economics, the PRC in 2001. In 1984, Mr Yu had completed a Finance course in the Shanghai College of Finance and Economics. Mr Yu was certified as a senior economist in December 1994 by Industrial and Commercial Bank of China (Main Branch). Mr Yu also passed the Licensing Examination for Securities and Futures Intermediaries held by the Hong Kong Securities Institute in July and September 2011.

Mr Yu has over 30 years of experience in the banking sector. He held senior management positions in various financial institutions, including as vice chairman of the board of directors of investment management company Shanghai Right Capital Co., Ltd. (August 2014 to April 2018), deputy chief executive officer and executive director of ICBC International Holdings Limited (Hong Kong) (January 2010 to February 2013), executive director and chief executive officer of Hang Seng Bank Ltd

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## DIRECTORS AND SENIOR MANAGEMENT

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(Macao) (January 2008 to October 2009), chief executive of Fortis Bank Asia HK (Hong Kong Branch) (May 2004 to October 2005), and general manager of Industrial and Commercial Bank of China Limited Tokyo Branch (November 1997 to June 2000).

From February 1979 to October 1984, Mr Yu worked as the Luwan District deputy director of People's Bank of China (Shanghai). From October 1984 to December 1996, he worked for Industrial and Commercial Bank of China Limited (Shanghai Branch) and held various positions including section chief, deputy chief manager, and chief manager.

**Mr Tsui Yung Kwok (徐容國)**, aged 49, is an INED.

Mr Tsui graduated with a Bachelor of Business majoring in Accounting from the Curtin University of Technology in Australia in 1992 and a Master of Corporate Governance from the Hong Kong Polytechnic University in 2007. Mr Tsui also obtained the following professional qualifications:

<u>Year</u>	<u>Professional qualification</u>	<u>Granting authority</u>
2007	Associate of the Hong Kong Institute of Chartered Secretaries	The Hong Kong Institute of Chartered Secretaries
2000	Member of the Institute of Chartered Accountants in Australia	Chartered Accountants of Australia & New Zealand; formerly known as the Institute of Chartered Accountants in Australia
1997	Member of the Hong Kong Society of Accountants	Hong Kong Institute of Certified Public Accountants; formerly known as the Hong Kong Society of Accountants
1996	Certified Practising Accountant of the Australian Society of Certified Practising Accountants	CPA Australia; formerly known as the Australian Society of Certified Practising Accountants

Mr Tsui has over 25 years of experience in the accounting and finance field. Since November 2003, he has worked as chief financial officer and company secretary for companies listed on the Hong Kong Stock Exchange. From August 2004 to present, Mr Tsui has been an executive director, chief financial officer, and company secretary (up to 1 March 2017) of Ju Teng International Holdings Limited (stock code: 3336), a manufacturer of casings for electronic devices. From November 2003 to August 2004, he was the chief financial officer and company secretary of Qin Jia Yuan Media Services Company Limited (stock code: 2366), a provider of media and other public relations services.

Mr Tsui's career began as an audit accountant for Kwan Wong Tan & Fong BDO (now known as Deloitte) (December 1992 to February 1994). From February 1994 to October 2003, he worked for the assurance and advisory business services department of Ernst & Young, where his latest position was senior manager.

## DIRECTORS AND SENIOR MANAGEMENT

As at the Latest Practicable Date, Mr Tsui was an independent non-executive director of the following companies whose shares are listed on the Hong Kong Stock Exchange:

Appointment date	Company	Stock code
February 2013	Cabbeen Fashion Limited	2030
September 2012	361 Degrees International Limited	1361
September 2010	SITC International Holdings Company Limited	1308
September 2009	Shenguan Holdings (Group) Limited	829

### SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table provides information about members of our senior management team:

Name	Age	Position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities in our Group
Mr Zhu Xinping (朱欣平)	40	Deputy general manager	February 2002	2013	Mr Zhu is responsible for overseeing the sales function of Shanghai Intron and G-Pulse.
Mr Qin Chen (秦晨)	40	Manager of R&D department	September 2002	2008	Mr Qin is in charge of the planning and management of our R&D department.
Ms Cheng Lijuan (成麗娟)	50	Deputy general manager & financial controller	August 2002	2009	Ms Cheng is responsible for the daily management of our finance department.

**Mr Zhu Xinping (朱欣平)**, aged 40, is the deputy general manager of Shanghai Intron. He started working as a sales engineer in February 2002 and was promoted to his current capacity in 2013. Mr Zhu is also the legal representative of Shanghai Intron.

Mr Zhu graduated with a Bachelor of Electronics and Information System from Fudan University in the PRC in 2000.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr Qin Chen (秦晨)**, aged 40, is the manager of R&D department of Shanghai Intron. He joined the Group in September 2002 as an R&D engineer, working on automotive embedded system development. He was promoted to his current position in September 2008.

Mr Qin graduated with a Bachelor of Electrical Engineering from Hefei University of Technology in the PRC in 1999.

Upon graduation and prior to joining our Group, Mr Qin worked in China Electronics Technology Group Corporation (CETC) No. 21 Research Institute, an electronics technology developer, as an assistant engineer from July 1999 to March 2002.

**Ms Cheng Lijuan (成麗娟)**, aged 50, is the deputy general manager and financial controller of Shanghai Intron. She started working as a financial manager in August 2002, and was promoted to her current position in 2009.

Ms Cheng graduated with a Mature Student Higher Education Bachelor in Accounting from Xi'an Jiaotong University in the PRC in 2016. The courses attended were online, long-distance courses. Ms Cheng also obtained the following certificates and qualifications:

<u>Year</u>	<u>Certificate or qualification</u>	<u>Granting authority</u>
2008	Qualification Certificate of Statistical Work	National Bureau of Statistics of China
2005	Shanghai Personnel Management Eligibility Certificate	Shanghai Cadre Training Centre and Shanghai Talent Training Centre
2002	Certificate of Accounting Profession	Ministry of Finance of the People's Republic of China
2002	National Accounting Professional Skills Qualification Examination (Intermediate) Certificate	Shanghai Qualification Examination Centre

Prior to joining Intron Technology Group, Ms Cheng worked in At Commerce Ltd, as a finance manager; and Shanghai Leaderpower Ltd, a developer of office automation systems, from June 1996 to December 1998 as the sole accountant.

### OTHER INFORMATION IN RELATION TO OUR DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, each of our Directors has confirmed that there are no other matters relating to his appointment as a Director that need to be brought to the attention of our Shareholders and there is no other information in relation to his appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Save as disclosed in this prospectus, none of our Directors and senior management hold any other positions within our Group.

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## DIRECTORS AND SENIOR MANAGEMENT

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Save as disclosed above, none of our Directors and senior management has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

None of our Directors and senior management is related to other Directors and senior management.

For the business address of the senior management, please see the address of our principal place of business in Shanghai in “Corporate Information”.

### JOINT COMPANY SECRETARIES

**Mr Ng Ming Chee (黃晞華)**, an executive Director and our chief financial officer, was appointed on 22 February 2018 as one of the joint company secretaries of our Company. For the biographical details of Mr Ng, please see the section headed “ — Executive Directors” above.

**Mr Wong Yu Kit (黃儒傑)**, aged 36, was appointed on 5 June 2018 as one of the joint company secretaries of our Company. Mr Wong currently serves as an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited and has about 10 years of experience in the corporate services field.

Mr Wong obtained a bachelor’s degree in the Business Administration and Management from the University of Huddersfield and a master’s degree in corporate governance from the Open University of Hong Kong. Mr Wong is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

### BOARD COMMITTEES

#### Audit Committee

We established an audit committee on 22 June 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, being Mr Tsui Yung Kwok, Mr Jiang Yongwei and Mr Yu Hong. Mr Tsui Yung Kwok has been appointed as the chairman of the audit committee, and is an INED possessing the appropriate professional qualifications. The primary duties of the audit committee are to provide our Directors with an independent review of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by our Directors.

#### Remuneration Committee

We established a remuneration committee on 22 June 2018 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of three members, being Mr Jiang Yongwei, Mr Yu Hong and Mr

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## DIRECTORS AND SENIOR MANAGEMENT

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Luk. Mr Jiang Yongwei, an INED, has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee include, amongst others, the following matters: (i) making recommendations to our Directors on our policy and structure for remunerations of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration; (ii) determining the terms of the specific remuneration package of our Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

### **Nomination Committee**

We established a nomination committee on 22 June 2018 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The nomination committee comprises three members, being Mr Chan Cheung Ngai, Mr Jiang Yongwei and Mr Tsui Yung Kwok. Mr Chan, our co-CEO and an executive Director, has been appointed as the chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to our Directors on all new appointments of Directors and senior management, interviewing nominees, to take up references and to consider related matters.

### **Directors' and senior management's remuneration**

The aggregate amount of fees, salaries, bonuses, allowances, benefits in kinds and retirement benefits scheme contributions we paid to the five highest paid individuals of our Group, including Directors, in respect of 2015, 2016 and 2017 were approximately RMB9.0 million, RMB10.0 million and RMB12.6 million, respectively. The above five highest paid individuals in 2015, 2016 and 2017 included three Directors, three Directors and four Directors, respectively.

During the Track Record Period, no remuneration was paid to the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by such individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group.

For information on our Directors' service contracts and their remuneration, see "Statutory and General Information — Further Information about Directors".

Our Board will review and determine the remuneration and compensation packages of the Directors and senior management which, following the Listing, will receive recommendations from our Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and the performance of our Group.



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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPLIANCE ADVISER

We have appointed First Shanghai Capital Limited as our compliance adviser upon Listing pursuant to Rule 3A.19 of the Listing Rules. The material terms of the compliance adviser's agreement entered into between our Company and First Shanghai Capital Limited include the following:

- (a) First Shanghai Capital Limited is to be appointed by our Company as our compliance adviser for the purpose of Rule 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date or on the date on which such agreement is terminated pursuant to the terms thereof, whichever is earlier; and
- (b) pursuant to Rule 3A.23 of the Listing Rules, our Company will consult with and, if necessary, seek advice from First Shanghai Capital Limited on a timely basis in the following circumstances:
  - (i) before the publication of any regulatory announcement, circular or financial report;
  - (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
  - (iii) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results of our Group deviate from any forecast, estimate, or other information in this prospectus; or
  - (iv) where the Hong Kong Stock Exchange makes an inquiry of us of unusual movements in the price or trading volume of our listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results as required under Rule 13.46 of the Listing Rules for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

Our objective is to further enhance our market position in the industry and to continue expanding our business. See “Business — Our Strategies” for details of our future plans.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$705.1 million (after deducting the underwriting fees, commissions and estimated expenses payable by us in relation to the Global Offering) assuming the Over-allotment Option is not exercised and an Offer Price of HK\$3.12 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus. We intend to use the net proceeds we receive from the Global Offering as follows:

- approximately 30% or HK\$211.5 million is expected to continue to expand our research and development capabilities by recruiting additional research and development professionals to implement our growth strategies and enhance our solutions portfolio as mentioned in “Business — Our Strategies”. See “Business — Our Expansion Plan” for further details of our recruitment plan;
- approximately 30% or HK\$211.5 million is expected to enhance our research and development infrastructure by investing in and acquiring testing and other equipment, and technology software to accelerate our solutions development cycle and thus increase exposure of our solutions to customers. In 2018, 2019 and 2020, we expect to utilize approximately 25%, 35% and 40% of such proceeds, respectively. Specifically, we expect to invest approximately (i) 21% of such proceeds in our cloud-based research and development management platform; (ii) 49% in purchasing equipment for our engineering and testing centres; and (iii) 30% in purchasing equipment and software for the research and development in automotive electronics;
- approximately 30% or HK\$211.5 million is expected to be used to finance acquisitions of research and development capabilities that will complement our development plan. We plan to invest or acquire businesses in China which own key intellectual properties or technology capabilities which can help us expand our solution offerings or improve our technology and infrastructures (as at the Latest Practicable Date, we have not identified such targets for acquisitions). We expect to identify potential acquisition targets in China with strong design capabilities and technical expertise such as those with significant software intellectual properties which could be used for the development of automated driving, as well as those with embedded software development capabilities or real-time system development capabilities. In particular, we envisage that our potential targets are independent design houses or companies specializing in research and development in China with specific technical expertise with particular emphasis in new energy or automated driving. The specific capabilities we are targeting include charging technologies for NEVs, algorithms for VCUs in four-wheel NEVs, as

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## FUTURE PLANS AND USE OF PROCEEDS

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well as various software for enhancing our technological infrastructure on automated driving. The target companies would typically have headcount of less than 40, possibly led by known experts in the specific field or industry; and

- approximately 10% or HK\$70.6 million is expected to fund our working capital and other general corporate purposes.

In the event that the Offer Price is set at the high point or the low point of the indicative Offer Price range, the net proceeds of the Global Offering (including any net proceeds resulting from the exercise of the Over-allotment Option, if applicable) will accordingly increase or decrease. If we make a Downward Offer Price Adjustment, the estimated net proceeds we will receive from the Global Offering will be further reduced. Under such circumstances, we will increase or decrease the allocation of such net proceeds to the above purposes on a pro-rata basis.

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$755.7 million (after deducting the underwriting fees, commissions and estimated expenses payable by us in relation to the Global Offering) assuming the Over-allotment Option is not exercised and an Offer Price of HK\$3.33 per Share, being the high-end of the indicative Offer Price range stated in this prospectus, and approximately HK\$652.0 million assuming the Over-allotment Option is not exercised and an Offer Price of HK\$2.90 per Share, being the low-end of the indicative Offer Price range stated in this prospectus.

If the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK\$112.9 million assuming an Offer Price of HK\$3.12 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus, approximately HK\$120.5 million assuming an Offer Price of HK\$3.33 per Share, being the high-end of the indicative Offer Price range stated in this prospectus, and approximately HK\$104.9 million assuming an Offer Price of HK\$2.90 per Share, being the low-end of the indicative Offer Price range stated in this prospectus.

We will issue an appropriate announcement if there is any material change in the abovementioned use of proceeds.

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## UNDERWRITING

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### UNDERWRITERS

#### Hong Kong Underwriters

BNP Paribas Securities (Asia) Limited  
Pacific Foundation Securities Limited

#### International Underwriters

BNP Paribas Securities (Asia) Limited  
Pacific Foundation Securities Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 25,000,000 Hong Kong Offer Shares (subject to adjustment and re-allocation as described in “Structure of the Global Offering – The Hong Kong Public Offering”) for subscription by way of a Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue, the Global Offering as mentioned herein (including any additional Shares to be allotted and issued under the Over-allotment Option and any options that may be granted under the Share Option Scheme), and such listing and permission not having been subsequently revoked prior to the commencement of trading of our Shares on the Main Board of the Hong Kong Stock Exchange and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

One of the conditions is that the Offer Price must be agreed between us and the Sole Global Coordinator (on behalf of the Underwriters). For applicants applying under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Offering will be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering will not proceed.

#### ***Grounds for Termination***

The obligations of the Hong Kong Underwriters to subscribe or to procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting

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## UNDERWRITING

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Agreement are subject to termination by oral or written notice to us from the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
- (i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the BVI, the Cayman Islands, the PRC, the United States, the United Kingdom, the European Union (or any member), Japan, Singapore or any jurisdiction relevant to any member of the Group or the Global Offering (collectively, the “Relevant Jurisdictions”); or
  - (ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or
  - (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange or the Shanghai Stock Exchange; or
  - (iv) the imposition of any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or by other competent authority), New York (imposed at Federal or New York State level or by other competent authority), London, or any of the Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or
  - (v) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or the European Union (or any member thereof), or the PRC or any other jurisdiction relevant to any member of our Group; or
  - (vi) any new law, statute, ordinance, legal code, regulation or rule, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or

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## UNDERWRITING

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- other competent authority of) existing laws, statutes, ordinances, legal codes, regulations or rules, in each case, in or affecting any of the Relevant Jurisdictions; or
- (vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
  - (viii) any litigation or claim of any third party being threatened or instigated against any member of our Group, our Company or any of the Controlling Shareholders; or
  - (ix) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
  - (x) the Chairman or any of the Co-CEO of our Company vacating his office; or
  - (xi) an authority or a political body or organization in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
  - (xii) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including Shares to be allotted and issued under the Over-allotment Option) pursuant to the terms of the Global Offering; or
  - (xiii) a contravention by any member of our Group of the Listing Rules or applicable laws, statutes, ordinances, legal codes, regulations or rules; or
  - (xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws, statutes, ordinances, legal codes, regulations or rules; or
  - (xv) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC; or
  - (xvi) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with our creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part

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## UNDERWRITING

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of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator (A) has or will have or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or (B) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (C) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (D) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or materially delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Sole Global Coordinator:

- (i) that any statement contained in any of this prospectus, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue or incorrect in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or
- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission of a material fact from any of this prospectus, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
- (iii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

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## UNDERWRITING

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- (iv) any material adverse change, or any development involving a prospective material adverse change, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of our Group; or
- (v) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the terms of the Hong Kong Underwriting Agreement; or
- (vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the warranties given by our Company and the Controlling Shareholders under the Hong Kong Underwriting Agreement; or
- (vii) approval by the Listing Committee of the listing of, and permission to deal in, the Shares in issue and to be issued or sold under the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-Allotment Option and any options that may be granted under the Share Option Scheme) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

### ***Undertakings pursuant to the Hong Kong Underwriting Agreement***

#### ***(A) Undertakings by our Company***

Pursuant to the Hong Kong Underwriting Agreement, except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) and issue of any Shares pursuant to the exercise of any of the options granted or to be granted under the Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "First Six-month Period"), we have undertaken to each of the Sole Global Coordinator, the Hong Kong Underwriters and the Sole Sponsor not to, and to procure each other member of the Group not to, without the prior written consent of the Sole Sponsor and Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing



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## UNDERWRITING

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(including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, with a depository in connection with the issue of depository receipts; or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-month Period). In the event that, during the period of six months commencing on the date on which the First Six-month Period expires (the "Second Six-month Period"), our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of our Controlling Shareholders has undertaken to each of the Sole Global Coordinator, the Hong Kong Underwriters and the Sole Sponsor to procure our Company to comply with the above undertaking.

Our Company has agreed and undertaken that it will not effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below 25% on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Sole Sponsor and Sole Global Coordinator (on behalf of the Hong Kong Underwriters).

### *(B) Undertakings by our Controlling Shareholders*

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has undertaken to each of our Company, the Sole Global Coordinator, the Hong Kong Underwriters and the Sole Sponsor that, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (on behalf of the Hong

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## UNDERWRITING

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Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) it will not, at any time during the First Six-month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of our Company with a depository in connection with the issue of depository receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraphs (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraphs (i), (ii) or (iii) above, in each case, whether any of the transactions specified in subparagraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the transaction in respect of such Shares or other securities will be completed within the First Six-month Period);
  
- (b) it will not, during the Second Six-Month Period, enter into any of the transactions specified in sub-paragraphs (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it together with other Controlling Shareholders will cease to be the controlling shareholder (as the term is defined in the Listing Rules) of our Company; and
  
- (c) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in sub-paragraphs (a)(i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Notwithstanding the above undertakings from our Controlling Shareholders, any of the Controlling Shareholders may use such Shares held by them respectively as security (including a charge or a pledge) in favour of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, provided that such Controlling Shareholder shall immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator in writing (i)

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## UNDERWRITING

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when it/he pledges or charges such Shares and the number of the Shares so pledged or charged; and (ii) when it/he receives indications, either verbal or written, from any pledgee or charge that any of the pledged or charged Shares will be disposed of. Our Company has undertaken that upon receiving such information in writing from any Controlling Shareholder, we shall, as soon as practicable, notify the Hong Kong Stock Exchange, the Sole Sponsor and the Sole Global Coordinator and make a public disclosure in relation to such information by way of an announcement in accordance with the Listing Rules.

### ***Indemnity***

Each of our Company and the Controlling Shareholders has agreed to jointly and severally indemnify, among others, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach of our Company and the Controlling Shareholders of the Hong Kong Underwriting Agreement.

### **Lock-up undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules**

#### ***Undertakings by our Company***

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Hong Kong Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering (including the exercise of the Over-allotment Option) and the Capitalization Issue or in certain circumstances prescribed by Rule 10.08 of the Listing Rules which includes the grant of options and the issue of Shares pursuant to the Share Option Scheme.

#### ***Undertakings by our group of Controlling Shareholders***

Pursuant to Rule 10.07 of the Listing Rules, our group of Controlling Shareholders has undertaken to the Hong Kong Stock Exchange that, except pursuant to the Global Offering, they shall not and shall procure that the relevant registered holder shall not:

- (a) in the period commencing on the date by reference to which disclosure of the shareholding of the group of Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in respect of which they are shown by this prospectus to be the beneficial owner(s); or
- (b) in the period of six months commencing on the date on which the period referred to in Rule 10.07(1)(a) of the Listing Rules expires, dispose of, nor

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## UNDERWRITING

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enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in Rule 10.07(1)(a) of the Listing Rules if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the group of Controlling Shareholders would cease to be the controlling shareholder of our Company.

According to Note (2) to Rule 10.07(2) of the Listing Rules, nothing in Rule 10.07 shall prevent the group of Controlling Shareholders from using securities of our Company beneficially owned by them as security (including a charge or a pledge) in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

### **International Underwriting Agreement**

In connection with the International Offering, it is expected that our Company and our Controlling Shareholders, will enter into the International Underwriting Agreement with, among other parties, our Company, the Sole Global Coordinator, the Sole Sponsor and the International Underwriters. Under the International Underwriting Agreement, it is expected that the International Underwriters would, subject to certain conditions set out therein, agree to subscribe for or procure subscribers to subscribe for the International Offer Shares. It is expected that upon the entering into the International Underwriting Agreement, the International Offering will be fully underwritten. It is also expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement.

### **Commission and expenses**

The Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions.

The Sole Global Coordinator may receive a discretionary incentive fee of up to 1.0% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The Sole Sponsor will receive financial advisory and documentation fees. The underwriting commission, financial advisory and documentation fee, Hong Kong Stock Exchange listing fees and trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expenses relating to the Global Offering are estimated to amount to approximately HK\$74.9 million in total (based on an Offer Price of HK\$3.12 per Share, being the mid-point of the indicative Offer Price range of between HK\$2.90 and HK\$3.33 per Share, and on the assumption that the Over-allotment Option is not exercised).

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## UNDERWRITING

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The commissions and fees were determined after arm's length negotiation between our Company and the Underwriters, the Sole Sponsor or other parties by reference to the current market conditions.

### **Underwriters' interests in our Company**

As at the Latest Practicable Date and save as disclosed in this prospectus and other than pursuant to the Underwriting Agreements, none of the Hong Kong Underwriters was interested, directly or indirectly, in any shares or securities in any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any shares or securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and the International Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the International Underwriting Agreement.

### **MINIMUM PUBLIC FLOAT**

Our Directors will ensure that there will be a minimum 25% of the total issued shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. BNP Paribas Securities (Asia) Limited is the Sole Global Coordinator of the Global Offering.

The listing of the Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

250,000,000 Offer Shares will initially be made available under the Global Offering comprising:

- (a) the Hong Kong Public Offering of initially 25,000,000 Shares (subject to reallocation) in Hong Kong as described in “The Hong Kong Public Offering” below; and
- (b) the International Offering of initially 225,000,000 Shares (subject to reallocation and the Over-allotment Option), as described in “The International Offering” below.

Investors may either apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent 25.0% of the total Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the total Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

### THE HONG KONG PUBLIC OFFERING

#### Number of Offer Shares initially offered

Our Company is initially offering 25,000,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent 10% of the total Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised).

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## STRUCTURE OF THE GLOBAL OFFERING

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The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in “Conditions of the Global Offering”.

### **Allocation**

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5,000,000 (excluding the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5,000,000 (excluding the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 12,500,000 Hong Kong Offer Shares is liable to be rejected.

### **Reallocation**

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public

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## STRUCTURE OF THE GLOBAL OFFERING

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Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, and provided that the International Offering is not undersubscribed, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 75,000,000 Offer Shares (in the case of (a)), 100,000,000 Offer Shares (in the case of (b)) and 125,000,000 Offer Shares (in the case of (c)), representing 30%, 40%, and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate.

In addition, the Sole Global Coordinator reserves its right to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. However, if (a) the International Offering is undersubscribed or (b) when the International Offering is not undersubscribed and the Hong Kong Public Offering is oversubscribed by less than 15 times the total number of Offer Shares initially available under the Hong Kong Public Offering, then in any of these circumstances, the Sole Global Coordinator may only reallocate Offer Shares from the International Offering to the Hong Kong Public Offering on the following conditions (the "Allocation Cap"):

- (i) the total number of Offer Shares that may be reallocated from the International Offering to the Hong Kong Public Offering shall be not more than the number of Offer Shares initially allocated to the Hong Kong Public Offering i.e. 25,000,000 Offer Shares, representing 10% of the number of the Offer Shares being offered under the Global Offering; and
- (ii) the final Offer Price must be fixed at the bottom end of the indicative Offer Price range stated in this prospectus (i.e. HK\$2.90 per Offer Share).

If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate.

Subject to the Allocation Cap, the Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Global Coordinator.

Details of any re-allocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, which is expected to be published on Wednesday, 11 July 2018.



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## STRUCTURE OF THE GLOBAL OFFERING

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### Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that they and any person(s) for whose benefit they are making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if they have been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the Maximum Offer Price of HK\$3.33 per Offer Share in addition to the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$3,363.56 for one board lot of 1,000 Shares. If the Offer Price, as finally determined in the manner described in "Pricing and Allocation" below, is less than the Maximum Offer Price of HK\$3.33 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "How to Apply for Hong Kong Offer Shares".

### THE INTERNATIONAL OFFERING

#### Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 225,000,000 Shares, representing 90% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and the Over-allotment Option). The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 22.5% of the total Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised).

#### Allocation

Pursuant to the International Offering, the International Offer Shares will be conditionally placed on our behalf by the International Underwriters or the Sole Bookrunner or through selling agents appointed by them. International Offer Shares will be placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the

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## STRUCTURE OF THE GLOBAL OFFERING

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relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

### **Reallocation**

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in “The Hong Kong Public Offering — Reallocation” above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

### **OVER-ALLOTMENT OPTION**

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to an aggregate of 37,500,000 additional Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, among other things, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 3.6% of the total Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

### **STABILIZATION**

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

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## STRUCTURE OF THE GLOBAL OFFERING

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In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as the best interest of our Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under item (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (f) offering or attempting to do anything as described in item (b), (c), (d), or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;
- (b) there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;
- (c) liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;
- (d) no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Saturday, 4 August 2018, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- (e) the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- (f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

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## STRUCTURE OF THE GLOBAL OFFERING

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We will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

### Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price.

### STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the International Offering, the Stabilizing Manager may choose to borrow Shares from Magnate Era under the Stock Borrowing Agreement, or acquire Shares from other sources.

The stock borrowing arrangement will only be effected by the Stabilizing Manager, its affiliates or any person acting for it for settlement of over-allocations in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with. The same number of Shares so borrowed must be returned to Magnate Era on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised; (ii) the day on which the Over-allotment Option is exercised in full; and (iii) such earlier time as may be agreed in writing between Magnate Era and the Stabilizing Manager. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Magnate Era by the Stabilizing Manager, its affiliates or any person acting for it in relation to such stock borrowing arrangement.

### PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Thursday, 5 July 2018 and, in any event, no later than Tuesday, 10 July 2018, by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and us, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$3.33 per Offer Share and is expected to be not less than HK\$2.90 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the Maximum Offer Price of HK\$3.33 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, amounting to a total of HK\$3,363.56 for one board lot of 1,000 Shares. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the minimum Offer Price stated in this prospectus (subject to a Downward Offer Price Adjustment).

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## STRUCTURE OF THE GLOBAL OFFERING

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### Announcement of Offer Price reduction

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the consent of our Company, determine the final Offer Price to be no more than 10% below the bottom end of the indicative Offer Price range, at any time on or prior to the Expected Price Determination Date.

In such situation, our Company will, as soon as practicable following the decision to set the final Offer Price below the bottom end of the indicative Offer Price range, publish on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.intron-tech.com](http://www.intron-tech.com) an announcement of the final Offer Price after making a Downward Offer Price Adjustment. Such announcement will be issued before and separate from the announcement of the results of allocations expected to be announced on Wednesday, 11 July 2018. The Offer Price announced following making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed. In the absence of an announcement that a Downward Offer Price Adjustment has been made, the final Offer Price will not be outside the indicative Offer Price range as disclosed in this prospectus unless the Withdrawal Mechanism is utilized.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Sole Global Coordinator (on behalf of the Underwriters) may, where it deems appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with our consent, reduce the number of Offer Shares offered and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of our Company and the Stock Hong Kong Exchange at [www.intron-tech.com](http://www.intron-tech.com) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us, will be fixed within such revised Offer Price Range. If the number of Offer Shares and/or the Offer Price range is so reduced, all applicants who have already submitted an application will need to confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of

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## STRUCTURE OF THE GLOBAL OFFERING

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Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us, will under no circumstances be set out outside the Offer Price Range as stated in this prospectus.

Irrespective of whether a Downward Offer Price Adjustment is made, the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in “How to Apply for Hong Kong Offer Shares — Publication of Results”.

### UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in “Underwriting”.

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering on the Main Board of the Hong Kong Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;
- (b) the Offer Price having been agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company;
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

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## STRUCTURE OF THE GLOBAL OFFERING

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in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on or before Tuesday, 10 July 2018, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of our Company and the Hong Kong Stock Exchange at [www.intron-tech.com](http://www.intron-tech.com) and [www.hkexnews.hk](http://www.hkexnews.hk), respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares — Refund of Application Monies”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Thursday, 12 July 2018, provided that the Global Offering has become unconditional in all respects at or before that time.

### DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 12 July 2018, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Thursday, 12 July 2018.

The Shares will be traded in board lots of 1,000 Shares each and the stock code of the Shares will be 1760.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### A. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** Service Provider at [www.eipo.com.hk](http://www.eipo.com.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider, and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### B. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the US Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO**, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly-authorized officer, who must state their representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** for the Hong Kong Offer Shares.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

### C. APPLYING FOR HONG KONG OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.eipo.com.hk](http://www.eipo.com.hk).

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 June 2018 until 12:00 noon on Thursday, 5 July 2018 from:

- (a) any of the following offices of the Hong Kong Underwriters:

<b>BNP Paribas Securities (Asia) Limited</b>	62/F, Two International Finance Centre 8 Finance Street Central Hong Kong
<b>Pacific Foundation Securities Limited</b>	11/F, New World Tower Two 16–18 Queen's Road Central Central Hong Kong

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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(b) any of the following branches of the receiving bank, Bank of China (Hong Kong) Limited:

<b>District</b>	<b>Branch Name</b>	<b>Address</b>
<b>Hong Kong Island</b>	North Point (King's Centre) Branch	193-209 King's Road, North Point
<b>Kowloon</b>	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong
	Prince Edward Road West (Mong Kok) Branch	116-118 Prince Edward Road West, Mong Kok, Kowloon
<b>New Territories</b>	East Point City Branch	Shop 101, East Point City, Tseung Kwan O

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 June 2018 until 12:00 noon on Thursday, 5 July 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — INTRON HOLDINGS PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

**Friday, 29 June 2018 — 9:00 a.m. to 5:00 p.m.**  
**Saturday, 30 June 2018 — 9:00 a.m. to 1:00 p.m.**  
**Tuesday, 3 July 2018 — 9:00 a.m. to 5:00 p.m.**  
**Wednesday, 4 July 2018 — 9:00 a.m. to 5:00 p.m.**  
**Thursday, 5 July 2018 — 9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 5 July 2018, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### D. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through [www.eipo.com.hk](http://www.eipo.com.hk), among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorize our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (b) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (f) agree that none of our Company and the Relevant Persons is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (h) agree to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters, and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the US Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (q) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

### E. APPLYING THROUGH WHITE FORM eIPO

#### General

Individuals who meet the criteria in “Who can apply” section, may apply through **White Form eIPO** for the Offer Shares to be allotted and registered in their own names through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

Detailed instructions for application through **White Form eIPO** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of **White Form eIPO**.

#### Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at [www.eipo.com.hk](http://www.eipo.com.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 29 June 2018 until 11:30 a.m. on Thursday, 5 July 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 5 July 2018 or such later time under the “Effect of Bad Weather on the Opening of the Applications Lists” in this section.

#### No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through **White Form eIPO** to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through **White Form eIPO** or by any other means, all of your applications are liable to be rejected.

#### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Environmental Protection

The obvious advantage of the White Form eIPO is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2 for each “INTRON TECHNOLOGY HOLDINGS LIMITED” White Form eIPO application submitted via [www.eipo.com.hk](http://www.eipo.com.hk) to support the funding of “Dongjiang River Source Tree Planting” project initiated by Friends of the Earth (HK).

### F. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

#### General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
Customer Service Center  
1/F, One & Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator, and our Hong Kong Share Registrar.

#### Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (b) HKSCC Nominees will do the following things on your behalf:
  - (i) agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - (ii) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - (iii) undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
  - (iv) declare that only one set out of electronic application instructions has been given for your benefit;
  - (v) (if you are an agent for another person) declare that you have only given one set out of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
  - (vi) confirm that you understand that our Company, the Directors, and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - (vii) authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - (viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
  - (ix) confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
  - (x) agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers, and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (xi) agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters, and/or its respective advisers and agents;
- (xii) agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- (xiii) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday, or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday, or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday, or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- (xiv) agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- (xv) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;
- (xvi) agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- (xvii) agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

<b>Friday, 29 June 2018</b>	<b>— 9:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Saturday, 30 June 2018</b>	<b>— 8:00 a.m. to 1:00 p.m.<sup>(1)</sup></b>
<b>Tuesday, 3 July 2018</b>	<b>— 8:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Wednesday, 4 July 2018</b>	<b>— 8:00 a.m. to 8:30 p.m.<sup>(1)</sup></b>
<b>Thursday, 5 July 2018</b>	<b>— 8:00 a.m.<sup>(1)</sup> to 12:00 noon</b>

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*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, 29 June 2018 until 12:00 noon on Thursday, 5 July 2018 (24 hours daily, except on Saturday, 30 June 2018 and the last application day).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, 5 July 2018, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

### **No Multiple Applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### **Personal Data**

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters, and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## **G. WARNING FOR ELECTRONIC APPLICATIONS**

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through **White Form eIPO** is also only a facility provided by **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through **White Form eIPO** will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Thursday, 5 July 2018.

### H. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit. "Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of our company;
- control more than half of the voting power of our company; or
- hold more than half of the issued share capital of our company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### I. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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You may submit an application using a **WHITE** or **YELLOW** Application Form or through **White Form eIPO** in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure of the Global Offering — Pricing and Allocation”.

### J. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 5 July 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 5 July 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable”, an announcement will be made in such an event.

### K. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, 11 July 2018 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on our Company’s website at [www.intron-tech.com](http://www.intron-tech.com) and the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at [www.intron-tech.com](http://www.intron-tech.com) and the Hong Kong Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than Wednesday, 11 July 2018;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- from the designated results of allocations website at [www.iporesults.com.hk](http://www.iporesults.com.hk) (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, 11 July 2018 to 12:00 midnight on Tuesday, 17 July 2018;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, 11 July 2018 to Saturday, 14 July 2018;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 11 July 2018, to Friday, 13 July 2018 at all the receiving bank designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in “Structure of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### L. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

#### 1. If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday, or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

### **2. If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sole Global Coordinator, the Hong Kong Share Registrar, the **White Form eIPO** Service Provider, and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

### **3. If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- (a) within three weeks from the closing date of the application lists; or
- (b) within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

### **4. If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **WHITE Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

### M. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$3.33 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering — The Hong Kong Public Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, 11 July 2018.

### N. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Wednesday, 11 July 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 12 July 2018 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### **1. If you apply using a *WHITE* Application Form**

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 11 July 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, 11 July 2018, by ordinary post and at your own risk.

#### **2. If you apply using a *YELLOW* Application Form**

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, 11 July 2018, by ordinary post and at your own risk.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 11 July 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 11 July 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

### **3. If you apply through White Form eIPO**

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 11 July 2018, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, 11 July 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### **4. If you apply via Electronic Application Instructions to HKSCC**

#### *Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

#### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 11 July 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Wednesday, 11 July 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 11 July 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 11 July 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 11 July 2018.

### **O. ADMISSION OF SHARES INTO CCASS**

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

*The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



22/F, CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

The Directors  
Intron Technology Holdings Limited  
BNP Paribas Securities (Asia) Limited

Dear Sirs,

We report on the historical financial information of Intron Technology Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-67, which comprises the combined statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2015, 2016 and 2017 (the "Relevant Periods"), and the combined statements of financial position of the Group as at 31 December 2015, 2016 and 2017 and the statement of financial position of the Company as at 31 December 2017, and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-67 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 June 2018 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

#### **Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

#### **Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2015, 2016 and 2017 and of the Company as at 31 December 2017 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

### **Report on matters under the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

### **Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

### **Dividends**

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

### **No historical financial statements for the Company**

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,  
Ernst & Young  
*Certified Public Accountants*  
Hong Kong

29 June 2018

## I HISTORICAL FINANCIAL INFORMATION

## Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

## COMBINED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December		
		2015	2016	2017
		RMB'000	RMB'000	RMB'000
REVENUE	5	732,262	1,150,173	1,473,484
Cost of sales		(540,581)	(908,786)	(1,164,473)
Gross profit		191,681	241,387	309,011
Other income and gains	5	1,097	3,284	15,750
Selling and distribution expenses		(19,610)	(28,826)	(33,813)
Administrative expenses		(55,422)	(84,901)	(125,483)
Other expenses		(6,696)	(9,351)	(10,698)
Finance costs	7	(8,503)	(11,141)	(15,562)
Share of profit of an associate		132	300	64
PROFIT BEFORE TAX	6	102,679	110,752	139,269
Income tax expense	10	(15,162)	(16,762)	(16,890)
PROFIT FOR THE YEAR		<u>87,517</u>	<u>93,990</u>	<u>122,379</u>
Attributable to:				
Owners of the parent		87,384	93,796	122,406
Non-controlling interests		133	194	(27)
		<u>87,517</u>	<u>93,990</u>	<u>122,379</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted	12	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

## COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PROFIT FOR THE YEAR	<u>87,517</u>	<u>93,990</u>	<u>122,379</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	<u>1,696</u>	<u>6,002</u>	<u>(8,290)</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<u>1,696</u>	<u>6,002</u>	<u>(8,290)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>1,696</u>	<u>6,002</u>	<u>(8,290)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>89,213</u></u>	<u><u>99,992</u></u>	<u><u>114,089</u></u>
Attributable to:			
Owners of the parent	89,080	99,798	114,116
Non-controlling interests	<u>133</u>	<u>194</u>	<u>(27)</u>
	<u><u>89,213</u></u>	<u><u>99,992</u></u>	<u><u>114,089</u></u>

## COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December 2015	As at 31 December 2016	As at 31 December 2017
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	13	10,526	12,453	17,843
Other intangible assets	14	3,874	18,355	14,889
Investment in an associate	16	2,132	2,432	–
Deferred tax assets	27	1,866	4,576	6,780
Advance payments for property, plant and equipment		250	838	2,733
Total non-current assets		<u>18,648</u>	<u>38,654</u>	<u>42,245</u>
<b>CURRENT ASSETS</b>				
Inventories	17	137,583	220,567	287,661
Trade and notes receivables	18	207,857	322,469	507,538
Prepayments, deposits and other receivables	19	27,469	37,098	9,042
Available-for-sale investments	21	2,500	1,500	2,000
Pledged deposits	22	8,290	17,100	18,252
Cash and cash equivalents	22	46,971	65,951	92,252
Total current assets		<u>430,670</u>	<u>664,685</u>	<u>916,745</u>
<b>CURRENT LIABILITIES</b>				
Trade payables	23	83,575	136,617	174,829
Other payables and accruals	24	59,682	97,140	159,512
Interest-bearing bank and other loans	25	53,233	103,735	168,929
Tax payable		8,225	19,829	23,341
Government grants	28	–	1,600	1,366
Total current liabilities		<u>204,715</u>	<u>358,921</u>	<u>527,977</u>
NET CURRENT ASSETS		<u>225,955</u>	<u>305,764</u>	<u>388,768</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>244,603</u>	<u>344,418</u>	<u>431,013</u>



		As at 31 December 2015	As at 31 December 2016	As at 31 December 2017
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>244,603</u>	<u>344,418</u>	<u>431,013</u>
NON-CURRENT LIABILITIES				
Interest-bearing bank and other loans	25	1,041	754	360
Government grants	28	<u>800</u>	<u>910</u>	<u>2,463</u>
Total non-current liabilities		<u>1,841</u>	<u>1,664</u>	<u>2,823</u>
Net assets		<u>242,762</u>	<u>342,754</u>	<u>428,190</u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	29	–	–	–
Reserves	30	<u>242,339</u>	<u>342,137</u>	<u>428,190</u>
Non-controlling interests		<u>242,339</u> 423	<u>342,137</u> 617	<u>428,190</u> –
Total equity		<u>242,762</u>	<u>342,754</u>	<u>428,190</u>

## COMBINED STATEMENTS OF CHANGES IN EQUITY

## Year ended 31 December 2015

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Statutory surplus reserves*	Capital reserve*	Exchange fluctuation reserve*	Retained profits*	Total		
	RMB'000 (note 29)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000	RMB'000		
At 1 January 2015	–	5,721	19,558	(1,584)	129,564	153,259	290	153,549
Profit for the year	–	–	–	–	87,384	87,384	133	87,517
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	–	–	–	1,696	–	1,696	–	1,696
Total comprehensive income for the year	–	–	–	1,696	87,384	89,080	133	89,213
At 31 December 2015	–	5,721	19,558	112	216,948	242,339	423	242,762

## Year ended 31 December 2016

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Statutory surplus reserves*	Capital reserve*	Exchange fluctuation reserve*	Retained profits*	Total		
	RMB'000 (note 29)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000	RMB'000		
At 1 January 2016	–	5,721	19,558	112	216,948	242,339	423	242,762
Profit for the year	–	–	–	–	93,796	93,796	194	93,990
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	–	–	–	6,002	–	6,002	–	6,002
Total comprehensive income for the year	–	–	–	6,002	93,796	99,798	194	99,992
At 31 December 2016	–	5,721	19,558	6,114	310,744	342,137	617	342,754

## Year ended 31 December 2017

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Statutory surplus reserves*	Capital reserve*	Exchange fluctuation reserve*	Retained profits*	Total		
	RMB'000 (note 29)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	-	5,721	19,558	6,114	310,744	342,137	617	342,754
Profit for the year	-	-	-	-	122,406	122,406	(27)	122,379
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	-	-	-	(8,290)	-	(8,290)	-	(8,290)
Total comprehensive income for the year	-	-	-	(8,290)	122,406	114,116	(27)	114,089
Disposal of subsidiaries	-	-	-	-	-	-	(279)	(279)
Acquisition of equity interests from the controlling shareholders	-	-	(1,802)	-	-	(1,802)	-	(1,802)
Acquisition of non-controlling interests	-	-	(23)	-	-	(23)	(311)	(334)
Transfer to statutory reserves	-	1,434	-	-	(1,434)	-	-	-
Dividends declared (note 11)	-	-	-	-	(26,238)	(26,238)	-	(26,238)
At 31 December 2017	-	7,155	17,733	(2,176)	405,478	428,190	-	428,190

\* These reserve accounts comprise the combined reserves of RMB242,339,000, RMB342,137,000 and RMB428,190,000 in the combined statements of financial position as at 31 December 2015, 2016 and 2017, respectively.

## COMBINED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2015 RMB'000	2016 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		102,679	110,752	139,269
Adjustments for:				
Depreciation	13	3,017	4,750	6,231
Amortisation of other intangible assets	14	528	2,734	4,226
Recognition of government grants		–	–	(559)
Loss/(gain) on disposal of items of property, plant and equipment	6	(209)	37	(17)
Investment income from available-for-sale investments	5	(143)	(69)	(48)
Bank interest income	5	(114)	(122)	(198)
Finance costs	7	8,503	11,141	15,562
Loss on disposal of subsidiaries	32	–	–	2,819
Share of profit of an associate		(132)	(300)	(64)
		114,129	128,923	167,221
Increase in inventories		(73,361)	(79,709)	(71,838)
Increase in trade and notes receivables		(60,215)	(105,602)	(200,213)
Decrease/(increase) in prepayments, deposits and other receivables		(4,719)	(5,944)	1,790
Increase in trade payables		48,607	48,037	43,571
Increase in other payables and accruals		29,041	18,726	71,082
Increase/(decrease) in government grants		713	1,623	(25)
Cash generated from operations		54,195	6,054	11,588
Interest received		114	122	198
Interest paid		(8,922)	(11,141)	(15,287)
Income tax paid		(5,714)	(8,647)	(14,449)
Net cash flows from/(used in) operating activities		39,673	(13,612)	(17,950)

	<i>Note</i>	Year ended 31 December		
		2015	2016	2017
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(6,843)	(6,975)	(13,841)
Additions to other intangible assets		(74)	(7,891)	(9,040)
Purchases of available-for-sale investments		(204,000)	(180,400)	(116,500)
Proceeds from disposal of available-for-sale investments		202,000	181,400	116,000
Investment income from available-for-sale investments		143	69	48
Loans to directors		(39,082)	(23,692)	(50,775)
Repayment of loans to directors		31,429	30,157	47,963
Payment on behalf of related parties		(431)	(356)	(1,077)
Loans to a related party		(49,763)	(43,977)	(86,746)
Refund of payment on behalf of related parties		–	136	229
Repayment of loans to a related party		48,493	35,315	97,916
Receipt of government grants		87	87	1,903
Acquisition of an associate		(2,000)	–	–
Disposal of subsidiaries	32	–	–	244
Proceeds from disposal of items of property, plant and equipment		398	–	50
Net cash flows used in investing activities		(19,643)	(16,127)	(13,626)

	Note	Year ended 31 December		
		2015	2016	2017
		RMB'000	RMB'000	RMB'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
New bank and other loans		121,068	266,393	516,473
Repayment of bank and other loans		(131,038)	(218,120)	(446,482)
Capital element of finance lease payments		(103)	(440)	(346)
Loans from related parties		–	8,532	860
Repayment of loans from related parties		(9,477)	(1,917)	(5,900)
Payment to the controlling shareholders and entities jointly controlled by the controlling shareholders		–	–	(1,802)
Decrease/(increase) in pledged deposits		3,308	(7,988)	(2,268)
Net cash flows from/(used in) financing activities		(16,242)	46,460	60,535
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>				
Effect of foreign exchange rate changes, net		1,316	2,259	(2,658)
Cash and cash equivalents at beginning of year		41,867	46,971	65,951
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	22	<u>46,971</u>	<u>65,951</u>	<u>92,252</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>				
Cash and bank balances	22	<u>46,971</u>	<u>65,951</u>	<u>92,252</u>

## STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December 2017
	<i>Notes</i>	<u>RMB'000</u>
NON-CURRENT ASSETS		
Investment in a subsidiary	15	<u>245</u>
Total non-current assets		<u>245</u>
CURRENT ASSETS		
Cash and cash equivalents	22	<u>21</u>
Total current assets		<u>21</u>
CURRENT LIABILITIES		
Other payables and accruals	24	<u>382</u>
Total current liabilities		<u>382</u>
NET CURRENT LIABILITIES		<u>(116)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(116)</u>
NET LIABILITIES		<u><u>(116)</u></u>
EQUITY		
Share capital	29	–
Reserves	30	<u>(116)</u>
TOTAL EQUITY		<u><u>(116)</u></u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 3 January 2017. The registered address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries focus on developing automotive components engineering solutions for key automotive manufacturers in China.

In the opinion of the directors, the ultimate controlling shareholders of the Group are Mr. Luk Wing Ming and Mr. Chan Cheung Ngai.

The Company and its subsidiaries now comprising the Group underwent a reorganization as set out in the section headed "Reorganization" in the Prospectus. Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Intron Technology (China) Limited ("Intron HK") <sup>(1)</sup>	Hong Kong 5 January 2001	HK\$7,500,000	100%	–	Sale of automotive and other electronic components
Evertronics Technology (China) Company Limited ("Evertronics") <sup>(1)</sup>	Hong Kong 6 August 2009	HK\$10,000	–	100%	Sale of automotive and other electronic components
Shanghai Intron Electronics Company Limited ("Shanghai Intron") (上海英恒電子有限公司) <sup>(2)</sup>	People's Republic of China ("PRC")/ Mainland China 14 February 2001	RMB10,000,000	–	100%	Research and development and sale of automotive and other electronic components
Guangzhou Intron Electronics Technology Company Limited ("Guangzhou Intron") (廣州英創電子科技有限公司) <sup>(3)</sup>	PRC/ Mainland China 3 February 2005	RMB1,000,000	–	100%	Sale of automotive and other electronic components



Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai G-Pulse Electronics Technology Company Limited ("G-Pulse") (上海金脈電子科技有限公司) <sup>(2)</sup>	PRC/ Mainland China 4 August 1999	RMB10,000,000	–	100%	Research and development, and sale of automotive and other electronic components
Beijing Maichuang Zhiheng Renewable Energy Technology Company Limited ("Beijing G-Pulse") (北京脈創智恒新能源科技有限公司) <sup>(4)</sup>	PRC/ Mainland China 9 November 2016	RMB10,000,000	–	100%	Research and development of renewable electronic components
Intron Intelligent Technology (Shanghai) Company Limited ("Intron China") (英恒智能科技(上海)有限公司) <sup>(5)</sup>	PRC/ Mainland China 10 February 2017	US\$3,000,000	–	100%	Investment holding

**Notes:**

- (1) The statutory financial statements of these entities for the years ended 31 December 2015 and 2016 prepared under Hong Kong Financial Reporting Standards ("HKFRSs") were audited by Tony Kwok Tung Ng & Co. Certified Public Accountants ("伍國棟會計師事務所"), certified public accountants registered in Hong Kong.
- (2) These entities are limited liability enterprises established under PRC law. The statutory financial statements of these entities for the years ended 31 December 2015, 2016 and 2017 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Shanghai Dewealth CPA Partnership ("上海德裕偉會計師事務所"), certified public accountants registered in the PRC.
- (3) Guangzhou Intron is a limited liability enterprise established under PRC law. The statutory financial statements of this entity for the years ended 31 December 2015, 2016 and 2017 prepared under PRC GAAP were audited by Guangzhou Tianhe Kuaixin Certified Accountants (General Partnership) ("廣州市天河會信會計師事務所(普通合夥)"), certified public accountants registered in the PRC.
- (4) Beijing G-Pulse is a limited liability enterprise established under PRC law. No audited financial statements have been prepared since the date of incorporation/establishment as the entity is not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.
- (5) Intron China is registered as a wholly foreign-owned enterprise under PRC law. No audited financial statements have been prepared since the date of incorporation as this entity is not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

Shenzhen Tuofuwei Technology Co., Ltd. (“Shenzhen Tuofuwei”) was established in the PRC on 12 February 2007, which was a wholly owned subsidiary of the Company. Shanghai Lvliang Technology Co., Ltd. (“Shanghai Lvliang”) was established in the PRC on 4 February 2009, which was a 70% owned subsidiary of Shenzhen Tuofuwei. On 26 April 2017, the Group disposed of Shenzhen Tuofuwei to a related party. Further details are contained in note 32.

## 2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization, as more fully explained in the section headed “Reorganization” in the Prospectus, the Company became the holding company of the companies now comprising the Group on 22 February 2018. The companies now comprising the Group were under the common control of the controlling shareholders before and after the Reorganization. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Relevant Periods.

The combined statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholders, where this is a shorter period. The combined statements of financial position of the Group as at 31 December 2015, 2016 and 2017 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholders’ perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganization.

Equity interests in subsidiaries and/or businesses held by parties other than the controlling shareholders prior to the Reorganization are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on combination.

## 2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2017, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for available-for-sale investments which have been measured at fair value.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 1 included in <i>Annual Improvements 2014–2016 Cycle</i>	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i> <sup>1</sup>
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> <sup>1</sup>
Amendments to HKFRS 3 included in <i>Annual Improvements 2015–2017 Cycle</i>	<i>Business Combinations</i> <sup>2</sup>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> <sup>1</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>1</sup>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>4</sup>
Amendments to HKFRS 11 included in <i>Annual Improvements 2015–2017 Cycle</i>	<i>Joint Arrangements</i> <sup>2</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>1</sup>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> <sup>1</sup>
HKFRS 16	<i>Leases</i> <sup>2</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>3</sup>
Amendments to HKAS 12 included in <i>Annual Improvements 2015–2017 Cycle</i>	<i>Income Taxes</i> <sup>2</sup>
Amendments to HKAS 23 included in <i>Annual Improvements 2015–2017 Cycle</i>	<i>Borrowing Costs</i> <sup>2</sup>
Amendments to HKAS 28 included in <i>Annual Improvements 2014–2016 Cycle</i>	<i>Investments in Associates and Joint Ventures</i> <sup>1</sup>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> <sup>2</sup>
Amendments to HKAS 40	<i>Transfers of Investment Property</i> <sup>1</sup>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i> <sup>1</sup>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> <sup>2</sup>
Amendments to HKAS 19	<i>Plan Amendments, Curtailment or Settlement</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. The

expected impacts arising from the adoption of HKFRS 9 relate to the classification and measurement and the impairment requirements and are summarised as follows:

**(a) Classification and measurement**

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value.

Upon adoption of HKFRS 9, the classification and measurement of financial assets depends on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial asset. The Group has assessed that the investments in certain financial assets issued by licensed financial institutions in Mainland China as at 31 December 2017, that are currently classified as available-for-sale investments, would not pass the contractual cash flow characteristics test in HKFRS 9 and will be reclassified as financial assets at fair value through profit or loss.

**(b) Impairment**

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group's trade receivables mainly derive from sale of solution products and rendering of consulting services, which are generally collectible within the credit period and the Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group expects that the impact on the Group's financial position and results of operations upon the adoption of HKFRS 9 will not be material.

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of HKFRS 15 will not be material. Upon the adoption of HKFRS 15, revenue from the Group's contracts with customers for the rendering of consulting services will be recognised at a point in time when the control of the service is transferred to the customer. The timing of the amount of revenue recognised in relation to this service will be later as compared to current practice and the Group has assessed that the adoption of HKFRS 15 will not have significant impact on the Group's revenue and profit or loss.

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless

the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. As disclosed in note 35 to the Historical Financial Information, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB22,914,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption. The Group has assessed the impact of HKFRS 16 upon adoption and does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but expects that a certain portion of the lease commitments will be required to be recognised in the combined statement of financial position as the right-of-use assets and the lease liabilities.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

### Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the combined statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the combined statement of profit or loss and combined other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the combined statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are

eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investment in an associate.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of the associate are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investment in an associate is treated as a non-current asset and is stated at cost less any impairment losses.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

### **Fair value measurement**

The Group measures its available-for-sale instruments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

### **Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If

such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Building	4.75%
Leasehold improvements	31.67%–37.50%
Plant and machinery	9.5%–33.33%
Office equipment	19.00%–33.33%
Motor vehicles	19.00%–33.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

**Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

***Patents and software***

Purchased patents and software are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 3 to 10 years.

***Research and development costs***

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

**Leases**

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid motor vehicle lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

**Investments and other financial assets*****Initial recognition and measurement***

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.



All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### ***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

#### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in administrative expenses for receivables.

#### ***Available-for-sale financial investments***

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest earned whilst holding the available-for-sale financial investments is reported as interest income, and is recognised in the statement of profit or loss as other income in accordance with the policy set out for "Revenue recognition" below.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

#### ***Derecognition of financial assets***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's combined statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of

ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred assets is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### **Impairment of financial assets**

The Group assesses at the end of each of the Relevant Periods whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in the statement of profit or loss.

#### ***Available-for-sale financial investments***

For available-for-sale financial investments, the Group assesses at the end of each of the Relevant Periods whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate

of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

## **Financial liabilities**

### ***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as loans and borrowings as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, derivative financial instruments and interest-bearing bank and other loans.

### ***Subsequent measurement***

The subsequent measurement of loans and borrowings is as follows:

#### ***Loans and borrowings***

After initial recognition, interest-bearing bank and other loans 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. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

#### ***Derecognition of financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

#### ***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### ***Derivative financial instruments***

##### ***Initial recognition and subsequent measurement***

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

#### ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour and

an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### Cash and cash equivalents

For the purpose of the combined statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

For the purpose of the combined statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all

or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the net assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of products, 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;
- (b) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below; and
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

### **Contracts for services**

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

### **Employee benefits**

#### ***Pension scheme***

Contributions made to the government retirement benefit fund under defined contribution retirement plans are charged to the statement of profit or loss as incurred.

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The subsidiaries established and operating in Mainland China are required to provide certain staff pension benefits to their employees under existing regulations of the PRC. Pension scheme contributions are provided at rates stipulated by PRC regulations and are made to a pension fund managed by government agencies, which are responsible for administering the contributions for the subsidiaries' employees.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **Foreign currencies**

This Historical Financial Information are presented in RMB. The functional currency of the Company is the Hong Kong dollars ("HK\$"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the combined statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### **Judgements**

There is no significant effect on the amounts recognised in the Historical Financial Information arising from the judgements, apart from those involving estimations, made by management in the process of applying the Group's accounting policies.

#### **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### ***Impairment of trade and other receivables***

Impairment of trade and other receivables is made based on an assessment of the recoverability of trade and other receivables. The identification of impairment requires management's judgements and estimates by considering the age of the balance, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Where the actual outcome is different from the original estimate, such differences will impact on the carrying values of the trade and other receivables and impairment losses over the period in which such estimate has been changed. Further details are contained in notes 18 and 19 to the Historical Financial Information.

#### ***Net realisable value of inventories***

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in downstream industries. Any write-down of inventories to net realisable value or reversal of write-down of inventories will impact on the carrying values of the inventories and the expenses of that period. Management reassesses these estimates at the end of each of the Relevant Periods.

#### ***Impairment of non-financial assets (other than goodwill)***

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices 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.

#### ***Deferred tax assets***

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2017 was RMB1,565,000. The amount of unrecognised tax losses at 31 December 2015, 2016 and 2017 was RMB4,748,000, RMB12,931,000 and RMB1,801,000, respectively. Further details are contained in note 27 to the Historical Financial Information.

#### 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resources allocation and performance assessment.

##### Geographical information

###### (a) Revenue from external customers

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hong Kong	4,204	8,139	30,644
Mainland China	726,180	1,140,392	1,441,915
Other countries	1,878	1,642	925
	<u>732,262</u>	<u>1,150,173</u>	<u>1,473,484</u>

The revenue information above is based on the locations of the customers.

###### (b) Non-current assets

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Hong Kong	4,586	3,843	2,722
Mainland China	12,196	30,235	32,743
	<u>16,782</u>	<u>34,078</u>	<u>35,465</u>

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

##### Information about a major customer

Revenue of approximately RMB135,589,000 and RMB144,072,000 was derived from sales of electronic components to a single customer for the years ended 31 December 2015 and 2016, respectively. No sales to a single customer individually contributed to over 10% of the Group's revenue for the year ended 31 December 2017.



## 5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of products sold, after allowances for returns and trade discounts; the value of services rendered; and net of value added tax and government surcharges during the Relevant Periods.

An analysis of revenue, other income and gains is as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>			
Sale of products	723,336	1,144,682	1,450,886
Rendering of services	8,926	5,491	22,598
	<u>732,262</u>	<u>1,150,173</u>	<u>1,473,484</u>
<b>Other income</b>			
Government grants ( <i>note a</i> )	533	2,940	5,569
Bank interest income	114	122	198
Investment income from available-for-sale investments	143	69	48
Others	98	153	146
	<u>888</u>	<u>3,284</u>	<u>5,961</u>
<b>Gains</b>			
Exchange gains, net	–	–	9,772
Gain on disposal of items of property, plant and equipment	209	–	17
	<u>1,097</u>	<u>3,284</u>	<u>15,750</u>

*Note:*

- (a) The amount represents grants received by the subsidiaries of the Company from the local government where they reside. There are no unfulfilled conditions and other contingencies relating to these grants.

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		2015	2016	2017
	Notes	RMB'000	RMB'000	RMB'000
Cost of inventories sold*		539,466	906,925	1,153,657
Cost of services provided*		1,115	1,861	10,816
Depreciation	13	3,017	4,750	6,231
Amortisation of other intangible assets****	14	528	2,734	4,226
Research and development costs**		30,553	52,818	74,710
Minimum lease payments under operating leases		6,170	8,958	9,026
Auditor's remuneration		278	396	1,577
Government grants		(533)	(2,940)	(5,569)
Bank interest income		(114)	(122)	(198)
Investment income from available-for-sale investments		(143)	(69)	(48)
Investment loss from derivative financial instruments		–	–	7,878
Foreign exchange losses/(gains), net		6,670	9,314	(9,772)
Employee benefit expense (excluding directors' and co-chief executives' remuneration (note 8)):				
Wages and salaries		29,335	49,983	75,842
Pension scheme contributions		2,929	4,575	7,288
Staff welfare expenses		729	973	2,240
		<u>32,993</u>	<u>55,531</u>	<u>85,370</u>
Loss/(gain) on disposal of items of property, plant and equipment		(209)	37	(17)
Loss on disposal of subsidiaries	32	–	–	2,819
Impairment/(reversal of impairment) of trade receivables	18	–	63	(54)
Reversal of impairment of other receivables		(29)	(3)	(9)
Write-down/(reversal of write-down) of inventories to net realisable value***		2,541	6,820	(1,207)

\* The cost of inventories sold and cost of services provided include RMB4,167,000, RMB4,725,000 and RMB10,007,000, relating to employee benefit expense and depreciation for the years ended 31 December 2015, 2016 and 2017, respectively, which are also included in the respective total amounts disclosed above for each type of expenses.

\*\* The research and development costs include RMB21,270,000, RMB37,108,000 and RMB59,576,000, relating to employee benefit expense, depreciation, amortisation of other intangible assets and minimum lease payments under operating leases for the years ended 31 December 2015, 2016 and 2017, respectively, which are also included in the respective total amounts disclosed above for each type of expenses.

\*\*\* Write-down/(reversal of write-down) of inventories to net realisable value is included in "Cost of sales" in the combined statements of profit or loss.

\*\*\*\* The amortisation of patents and software for the Relevant Periods is included in "Administrative expenses" in the combined statements of profit or loss.

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on bank loans	2,754	3,519	6,151
Interest on discounted notes receivable	5,749	7,622	9,411
	<u>8,503</u>	<u>11,141</u>	<u>15,562</u>

## 8. DIRECTORS' AND CO-CHIEF EXECUTIVES' REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors at any time before 3 January 2017 since the Company was only incorporated on 3 January 2017.

Mr. Luk Wing Ming, Mr. Chan Cheung Ngai, Mr. Chan Ming and Mr. Ng Ming Chee were appointed as executive directors of the Company on 3 January 2017, 3 January 2017, 23 January 2018 and 23 January 2018, respectively, and Mr. Luk Wing Ming and Mr. Chan Cheung Ngai were appointed as the co-chief executives of the Company on 2 February 2018.

Certain directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the Historical Financial Information of the subsidiaries is set out below:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Fees	–	–	–
Other emoluments:			
Salaries, allowances and benefits in kind	7,336	8,374	10,708
Performance related bonuses	–	322	731
Pension scheme contributions	45	53	60
	<u>7,381</u>	<u>8,749</u>	<u>11,499</u>

## (a) Independent non-executive directors

There were no emoluments payable to the independent non-executive directors during the Relevant Periods.

## (b) Executive directors

*Year ended 31 December 2015*

	<u>Fees</u>	<u>Salaries, allowances and benefits in kind</u>	<u>Performance related bonuses</u>	<u>Pension scheme contributions</u>	<u>Total remuneration</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Luk Wing Ming	–	3,883	–	15	3,898
Mr. Chan Cheung Ngai	–	2,800	–	15	2,815
Mr. Chan Ming	–	653	–	15	668
Mr. Ng Ming Chee	–	–	–	–	–
	<u>–</u>	<u>7,336</u>	<u>–</u>	<u>45</u>	<u>7,381</u>

**Year ended 31 December 2016**

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Luk Wing Ming	–	3,798	–	16	3,814
Mr. Chan Cheung Ngai	–	3,228	–	16	3,244
Mr. Chan Ming	–	698	322	16	1,036
Mr. Ng Ming Chee	–	650	–	5	655
	<u>–</u>	<u>8,374</u>	<u>322</u>	<u>53</u>	<u>8,749</u>

**Year ended 31 December 2017**

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Mr. Luk Wing Ming	–	4,012	–	15	4,027
Mr. Chan Cheung Ngai	–	3,398	–	15	3,413
Mr. Chan Ming	–	1,259	731	15	2,005
Mr. Ng Ming Chee	–	2,039	–	15	2,054
	<u>–</u>	<u>10,708</u>	<u>731</u>	<u>60</u>	<u>11,499</u>

Mr. Luk Wing Ming and Mr. Chan Cheung Ngai are co-chief executives of the Company.

There was no arrangement under which a director or the co-chief executive waived or agreed to waive any remuneration during the Relevant Periods.

**9. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid individuals for the years ended 31 December 2015, 2016 and 2017 included three, three and four directors, respectively, details of whose remuneration are set out in note 8(b) above. Details of the remuneration of the remaining two, two and one highest paid non-director employees for the years ended 31 December 2015, 2016 and 2017, respectively, are as follows:

	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and benefits in kind	672	764	534
Performance related bonuses	844	1,020	460
Pension scheme contributions	108	114	70
	<u>1,624</u>	<u>1,898</u>	<u>1,064</u>

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Nil to HK\$1,000,000	2	–	–
HK\$1,000,001 to HK\$1,500,000	–	2	1
	<u>2</u>	<u>2</u>	<u>1</u>

## 10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods.

The provision for current income tax in Mainland China is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law.

Shanghai Intron and G-Pulse are qualified as High and New Technology Enterprises and were subject to a preferential income tax rate of 15% during the Relevant Periods.

The major components of income tax expense of the Group during the Relevant Periods are analysed as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current – Mainland China			
Charge for the year	7,959	5,842	8,735
Current – Hong Kong			
Charge for the year	6,902	13,630	10,359
Deferred (note 27)	301	(2,710)	(2,204)
	<u>15,162</u>	<u>16,762</u>	<u>16,890</u>
Total tax charge for the year	<u>15,162</u>	<u>16,762</u>	<u>16,890</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	<u>102,679</u>	<u>110,752</u>	<u>139,269</u>
Tax at the statutory income tax rate of 25%	25,670	27,688	34,817
Effect of tax rate differences in other jurisdictions	(3,593)	(6,715)	(5,029)
Preferential income tax rates applicable to certain subsidiaries	(3,946)	(1,105)	(3,801)
Additional deduction allowance for research and development costs	(3,496)	(4,815)	(8,332)
Expenses not deductible for tax	97	558	1,026
Income not subject to tax	(100)	(75)	(17)
Tax losses utilised from previous years	(32)	(4)	(651)
Tax losses not recognised	562	1,230	442
Recognition of tax losses from previous years	<u>–</u>	<u>–</u>	<u>(1,565)</u>
Tax charge at the Group's effective rate	<u>15,162</u>	<u>16,762</u>	<u>16,890</u>

#### 11. DIVIDENDS

No dividends have been paid or declared by the Company since incorporation.

On 3 June 2017, Intron HK declared and approved a dividend of US\$3,860,000 (equivalent to RMB26,238,000) to the then shareholders.

#### 12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

No earnings per share information is presented as its inclusion, for the purpose of the report, is not considered meaningful due to the Reorganization as disclosed in note 2.1 above.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Building	Leasehold improve- ments	Plant and machinery	Office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2015</b>						
At 1 January 2015:						
Cost	2,831	763	3,145	5,441	5,269	17,449
Accumulated depreciation	(1,658)	(85)	(2,331)	(3,279)	(3,164)	(10,517)
Net carrying amount	1,173	678	814	2,162	2,105	6,932
At 1 January 2015, net of accumulated depreciation	1,173	678	814	2,162	2,105	6,932
Additions	–	200	1,700	988	3,771	6,659
Disposals	–	–	(146)	(21)	(22)	(189)
Depreciation provided during the year (note 6)	(134)	(280)	(751)	(751)	(1,101)	(3,017)
Foreign exchange movement	–	–	–	47	94	141
At 31 December 2015, net of accumulated depreciation	1,039	598	1,617	2,425	4,847	10,526
At 31 December 2015:						
Cost	2,831	963	4,083	5,773	7,364	21,014
Accumulated depreciation	(1,792)	(365)	(2,466)	(3,348)	(2,517)	(10,488)
Net carrying amount	1,039	598	1,617	2,425	4,847	10,526
<b>31 December 2016</b>						
At 1 January 2016:						
Cost	2,831	963	4,083	5,773	7,364	21,014
Accumulated depreciation	(1,792)	(365)	(2,466)	(3,348)	(2,517)	(10,488)
Net carrying amount	1,039	598	1,617	2,425	4,847	10,526
At 1 January 2016, net of accumulated depreciation	1,039	598	1,617	2,425	4,847	10,526
Additions	–	1,231	2,781	2,267	158	6,437
Disposals	–	–	(32)	(5)	–	(37)
Depreciation provided during the year (note 6)	(134)	(547)	(1,377)	(1,288)	(1,404)	(4,750)
Foreign exchange movement	–	–	–	134	143	277
At 31 December 2016, net of accumulated depreciation	905	1,282	2,989	3,533	3,744	12,453
At 31 December 2016:						
Cost	2,831	2,194	6,638	8,028	7,665	27,356
Accumulated depreciation	(1,926)	(912)	(3,649)	(4,495)	(3,921)	(14,903)
Net carrying amount	905	1,282	2,989	3,533	3,744	12,453

	Building	Leasehold improve- ments RMB'000	Plant and machinery	Office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>31 December 2017</b>						
At 1 January 2017:						
Cost	2,831	2,194	6,638	8,028	7,665	27,356
Accumulated depreciation	(1,926)	(912)	(3,649)	(4,495)	(3,921)	(14,903)
Net carrying amount	905	1,282	2,989	3,533	3,744	12,453
At 1 January 2017,						
net of accumulated depreciation	905	1,282	2,989	3,533	3,744	12,453
Additions	-	1,814	6,310	3,822	-	11,946
Disposals	-	-	-	(30)	(3)	(33)
Disposal of subsidiaries (note 32)	-	-	-	-	(84)	(84)
Depreciation provided during the year (note 6)	(134)	(1,231)	(1,710)	(2,006)	(1,150)	(6,231)
Foreign exchange movement	-	-	-	(51)	(157)	(208)
At 31 December 2017,						
net of accumulated depreciation	771	1,865	7,589	5,268	2,350	17,843
At 31 December 2017:						
Cost	2,831	4,008	12,401	9,468	7,156	35,864
Accumulated depreciation	(2,060)	(2,143)	(4,812)	(4,200)	(4,806)	(18,021)
Net carrying amount	771	1,865	7,589	5,268	2,350	17,843

The Group's building with a net carrying amount of approximately RMB1,039,000, RMB905,000 and RMB771,000, respectively, were pledged to secure bank loan facilities granted to the Group as at 31 December 2015, 2016 and 2017 (note 25).

The net carrying amounts of the Group's fixed assets held under finance leases included in the total amounts of motor vehicles at 31 December 2015, 2016 and 2017 were RMB1,847,000, RMB1,407,000 and RMB754,402, respectively.



## 14. OTHER INTANGIBLE ASSETS

	Patents	Software	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2015:			
Cost	5,000	123	5,123
Accumulated amortisation	(708)	(87)	(795)
Net carrying amount	<u>4,292</u>	<u>36</u>	<u>4,328</u>
Cost at 1 January 2015, net of accumulated amortisation	4,292	36	4,328
Additions	–	74	74
Amortisation provided during the year (note 6)	(500)	(28)	(528)
At 31 December 2015	<u>3,792</u>	<u>82</u>	<u>3,874</u>
At 31 December 2015:			
Cost	5,000	197	5,197
Accumulated amortisation	(1,208)	(115)	(1,323)
Net carrying amount	<u>3,792</u>	<u>82</u>	<u>3,874</u>
At 1 January 2016:			
Cost	5,000	197	5,197
Accumulated amortisation	(1,208)	(115)	(1,323)
Net carrying amount	<u>3,792</u>	<u>82</u>	<u>3,874</u>
Cost at 1 January 2016, net of accumulated amortisation	3,792	82	3,874
Additions	16,409	806	17,215
Amortisation provided during the year (note 6)	(2,688)	(46)	(2,734)
At 31 December 2016	<u>17,513</u>	<u>842</u>	<u>18,355</u>
At 31 December 2016:			
Cost	21,409	1,003	22,412
Accumulated amortisation	(3,896)	(161)	(4,057)
Net carrying amount	<u>17,513</u>	<u>842</u>	<u>18,355</u>

	<u>Patents</u>	<u>Software</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2017:			
Cost	21,409	1,003	22,412
Accumulated amortisation	(3,896)	(161)	(4,057)
Net carrying amount	<u>17,513</u>	<u>842</u>	<u>18,355</u>
Cost at 1 January 2017, net of accumulated amortisation	17,513	842	18,355
Additions	–	760	760
Amortisation provided during the year (note 6)	(3,782)	(444)	(4,226)
At 31 December 2017	<u>13,731</u>	<u>1,158</u>	<u>14,889</u>
At 31 December 2017:			
Cost	21,409	1,730	23,139
Accumulated amortisation	(7,678)	(572)	(8,250)
Net carrying amount	<u>13,731</u>	<u>1,158</u>	<u>14,889</u>

Certain of the Group's patents with a net carrying amount of approximately RMB3,292,000 and RMB2,792,000 were pledged to secure bank loan facilities granted to the Group as at 31 December 2016 and 2017 (note 25). There were no patents pledged to secure bank loan facilities as at 31 December 2015.

## 15. INVESTMENT IN A SUBSIDIARY

### The Company

	<u>2017</u>
	<i>RMB'000</i>
Unlisted shares, at cost	<u>245</u>

Particulars of the subsidiaries are set out in note 1.

## 16. INVESTMENT IN AN ASSOCIATE

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share of net assets	791	1,091	1,155
Goodwill on acquisition	1,341	1,341	1,341
Disposals (note 32)	–	–	(2,496)
	<u>2,132</u>	<u>2,432</u>	<u>–</u>

On 5 May 2015, the Group entered into an agreement to purchase 25% of interests in Xinwoke Electronic Technology Co., Ltd. ("Xinwoke"), at an aggregate consideration of RMB2,000,000.

Particulars of the associate are as follows:

<u>Name</u>	<u>Particulars of issued shares held</u>	<u>Place of incorporation/ registration and business</u>	<u>Percentage of ownership interest attributable to the Group</u>	<u>Principal activity</u>
Xinwoke	Ordinary shares	PRC/Mainland China	25	Manufacture of electronic products

The Group's shareholdings in this associate comprised equity shares held through Shenzhen Tuofuwei, a subsidiary of the Company before its disposal.

The following table illustrates the financial information of the Group's associate that is not material:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share of the associate's profit and total comprehensive income for the year	132	300	64
Carrying amount of the Group's investment in the associate	<u>2,132</u>	<u>2,432</u>	<u>–</u>

#### 17. INVENTORIES

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Semiconductor devices and electronic components	<u>137,583</u>	<u>220,567</u>	<u>287,661</u>

#### 18. TRADE AND NOTES RECEIVABLES

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	179,651	296,950	432,229
Notes receivable	<u>28,931</u>	<u>26,307</u>	<u>76,043</u>
Impairment	208,582	323,257	508,272
	<u>(725)</u>	<u>(788)</u>	<u>(734)</u>
	<u>207,857</u>	<u>322,469</u>	<u>507,538</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally within three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Less than 3 months	173,715	280,419	419,420
3 to 6 months	2,607	10,846	7,846
6 to 12 months	511	3,438	1,271
1 to 2 years	1,341	592	2,316
Over 2 years	752	867	642
	<u>178,926</u>	<u>296,162</u>	<u>431,495</u>

The movements in provision for impairment of trade receivables are as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	725	725	788
Impairment losses recognised/(reversed) (note 6)	–	63	(54)
At end of year	<u>725</u>	<u>788</u>	<u>734</u>

There is no individually trade receivables impaired during the Relevant Periods.

An ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	170,305	276,964	419,958
Less than 3 months past due	6,017	14,469	7,319
Over 3 months past due	1,852	3,862	3,576
	<u>178,174</u>	<u>295,295</u>	<u>430,853</u>

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in the Group's trade and notes receivables are amounts due from the Group's related parties of RMB3,602,000, RMB13,496,000 and RMB17,794,000 as at 31 December 2015, 2016 and 2017, respectively, which are repayable on credit terms similar to those offered to the other customers of the Group.

At 31 December 2015, 2016 and 2017, the Group endorsed certain notes receivable accepted by certain banks in the PRC (the "Endorsed Notes") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB14,134,000, RMB27,352,000 and RMB37,624,000, respectively (the "Endorsement"). In addition, at 31 December 2015, 2016 and 2017, the Group discounted certain notes receivable accepted by certain banks in the PRC (the "Discounted Notes") with a carrying amount in aggregate of RMB60,186,000, RMB179,859,000 and RMB185,637,000, respectively (the "Discount"). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes and Discounted Notes have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement").

In the opinion of the directors, the Group has transferred substantially all the risks and rewards relating to certain Endorsed Notes and Discounted Notes accepted by large and reputable banks with amounts of RMB13,448,000 and RMB59,386,000 as at 31 December 2015, respectively and RMB23,100,000 and RMB176,323,000 as at 31 December 2016, respectively and RMB34,985,000 and RMB183,544,000 as at 31 December 2017, respectively (the "Derecognised Notes"). Accordingly, the Group has derecognised the full carrying amounts of these Derecognised Notes and the associated trade payables settled by the Endorsed Notes.

The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Notes and the undiscounted cash flows to repurchase these Derecognised Notes is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Notes are not significant.

At 31 December 2015, 2016 and 2017, the Group continued to recognise the full carrying amounts of the remaining Endorsed Notes and the associated trade payables settled with amounts of RMB686,000, RMB4,252,000 and RMB2,639,000, respectively, and to recognise the proceeds received from the discount of the remaining Discounted Notes with amounts of RMB800,000, RMB3,536,000 and RMB2,093,000, respectively, as short-term loans because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed Notes and Discounted Notes.

During the Relevant Periods, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Notes. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The Endorsement and the Discount have been made evenly during the year.

Notes receivable are due within six months.

As at 31 December 2015, 2016 and 2017, the Group's trade receivables amounting to RMB6,302,000, RMB9,922,000 and RMB75,831,000, respectively, were pledged to secure bank loan facilities granted to the Group (note 25).

#### 19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments	530	1,840	3,097
Prepayment to a related party	–	–	568
Prepaid expenses	121	2,317	1,699
Loans to directors and a company jointly controlled by two of the directors (note 20)	21,061	24,303	–
Due from related parties	963	1,255	–
Other tax recoverable	2,111	3,999	–
Deposits and other receivables	2,795	3,493	3,678
	27,581	37,207	9,042
Less: Impairment of other receivables	(112)	(109)	–
	<u>27,469</u>	<u>37,098</u>	<u>9,042</u>

Due from related parties are unsecured, non-interest-bearing and repayable on demand.

The movements in provision for impairment of other receivables are as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	141	112	109
Impairment losses reversed	(29)	(3)	(9)
Amount written off as uncollectible	–	–	(100)
	<u>          </u>	<u>          </u>	<u>          </u>
At end of year	<u>112</u>	<u>109</u>	<u>–</u>

Included in the above provision for impairment of other receivables is a provision for individually impaired other receivables of RMB100,000 and RMB100,000 with a carrying amount before provision of RMB100,000 and RMB100,000 as at 31 December 2015 and 2016, respectively. There is no individually impaired other receivables as at 31 December 2017.

The ageing analysis of the financial assets included in prepayments, deposits and other receivables that are not considered to be impaired is as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Neither past due nor impaired	<u>24,696</u>	<u>28,933</u>	<u>3,678</u>

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

## 20. LOANS TO DIRECTORS

Loans to directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	At 31	Maximum	At 31	Maximum	At 31	Maximum	At 1	Security held
	December	amount	December	amount	December	amount	January	
	2017	outstanding	2016 and 1	outstanding	2015 and 1	outstanding	2015	
	<i>RMB'000</i>	during the	January	during the	January	during the	<i>RMB'000</i>	
		year	2017	year	2016	year		
Mr. Chan Cheung Ngai	–	8,665	5,910	12,269	8,349	8,349	4,612	None
Mr. Luk Wing Ming	–	10,590	7,223	14,996	10,204	10,204	5,637	None
United Trinity Electronics Ltd. ("UTE")	–	19,824	11,170	11,170	2,508	10,259	1,238	None
	<u>–</u>	<u>          </u>	<u>24,303</u>	<u>          </u>	<u>21,061</u>	<u>          </u>	<u>11,487</u>	

The loans granted to Mr. Chan Cheung Ngai and Mr. Luk Wing Ming are unsecured, non-interest-bearing and repayable on demand. The loans granted to a company jointly controlled by Mr. Chan Cheung Ngai and Mr. Luk Wing Ming, UTE, are unsecured, non-interest-bearing and repayable within one year.

## 21. AVAILABLE-FOR-SALE INVESTMENTS

	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted investments, at fair value	2,500	1,500	2,000

Unlisted investments represented investments in certain financial assets issued by licensed financial institutions in Mainland China. The financial assets in the investments bear expected yield rates ranging from 3.00% to 3.45%, from 3.00% to 3.50% and from 3.00% to 3.50% per annum upon maturity for the years ended 31 December 2015, 2016 and 2017, respectively.

## 22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

## The Group

	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	46,971	65,951	92,252
Time deposits	8,290	17,100	18,252
	55,261	83,051	110,504
Less: Pledged time deposits – Pledged for bank loans (note 25)	(8,290)	(17,100)	(18,252)
Cash and cash equivalents	46,971	65,951	92,252

At 31 December 2015, 2016 and 2017, the cash and cash equivalents of the Group denominated in RMB amounted to approximately RMB11,683,000, RMB32,291,000, and RMB34,536,000 respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods from 28 days to 12 months and earn interest at the fixed time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

Deposits amounting to RMB8,290,000, RMB17,100,000 and RMB18,252,000 have been pledged to secure bank loans as at 31 December 2015, 2016 and 2017, respectively (note 25).

## The Company

	2017
	<i>RMB'000</i>
Cash and bank balances	21
Cash and cash equivalents	21

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

**23. TRADE PAYABLES**

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Less than 3 months	83,139	134,398	160,894
3 to 6 months	257	1,956	13,565
6 to 12 months	137	263	357
1 to 2 years	21	–	13
Over 2 years	21	–	–
	<u>83,575</u>	<u>136,617</u>	<u>174,829</u>

Included in the trade payables are trade payables of RMB1,056,000, RMB595,000 and RMB8,000 due to entities jointly controlled by two of the directors of the Company as at 31 December 2015, 2016 and 2017, respectively, which are repayable within 30 days, which represents credit terms similar to those offered by the related parties to their major customers.

The trade payables are non-interest-bearing and are normally settled within three months.

**24. OTHER PAYABLES AND ACCRUALS****The Group**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables	37,061	46,841	83,191
Dividends payable	–	–	8,164
Payroll and welfare payable	9,328	16,529	27,061
Advances from customers	6,144	6,761	5,930
Taxes payable other than corporate income tax	6,267	10,139	31,124
Payables for purchase of property, plant, equipment and other intangible assets	200	9,573	1,293
Due to related parties	682	7,297	2,749
	<u>59,682</u>	<u>97,140</u>	<u>159,512</u>

Other payables are non-interest-bearing and have no fixed terms of repayment. Due to related parties as at 31 December 2015 and 2016 is unsecured, non-interest-bearing and repayable within one year. Due to related parties as at 31 December 2017 is unsecured, non-interest-bearing and repayable on demand or within one year.

**The Company**

	<u>2017</u>
	<i>RMB'000</i>
Due to a subsidiary	130
Due to related parties	252
	<u>382</u>

Due to a subsidiary and due to related parties are unsecured, non-interest-bearing and repayable on demand.



## 25. INTEREST-BEARING BANK AND OTHER LOANS

## 2015

	<u>Effective interest rate</u> (%)	<u>Maturity</u>	<u>2015</u> RMB'000
<b>Current</b>			
Bank loans - secured	4.25-6.06	2016	52,007
Discounted notes receivable	3.22-3.42	2016	800
Current portion of long term finance lease payables (note 26)	1.80-2.50	2016	426
			<u>53,233</u>
<b>Non-current</b>			
Finance lease payables (note 26)	1.80	2017-2019	<u>1,041</u>

## 2016

	<u>Effective interest rate</u> (%)	<u>Maturity</u>	<u>2016</u> RMB'000
<b>Current</b>			
Bank loans - secured	3.65-5.22	2017	99,840
Discounted notes receivable	2.96-3.25	2017	3,536
Current portion of long term finance lease payables (note 26)	1.80	2017	359
			<u>103,735</u>
<b>Non-current</b>			
Finance lease payables (note 26)	1.80	2018-2019	<u>754</u>

## 2017

	<u>Effective interest rate</u> (%)	<u>Maturity</u>	<u>2017</u> RMB'000
<b>Current</b>			
Bank loans - secured	3.00-5.44	2018	166,488
Discounted notes receivable	4.85	2018	2,093
Current portion of long term finance lease payables (note 26)	1.80	2018	348
			<u>168,929</u>
<b>Non-current</b>			
Finance lease payables (note 26)	1.80	2019	<u>360</u>

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Analysed into:			
Bank and other loans repayable:			
Within one year or on demand	53,233	103,735	168,929
In the second year	335	370	360
In the third to fifth years, inclusive	706	384	–
	<u>54,274</u>	<u>104,489</u>	<u>169,289</u>

*Notes:*

Certain of the Group's bank loans are secured by:

- (i) mortgage over the Group's building, which had an aggregate net carrying value of approximately RMB1,039,000, RMB905,000 and RMB771,000 as at 31 December 2015, 2016 and 2017, respectively (note 13).
- (ii) the pledges over certain of the Group's trade receivables, amounting to approximately RMB6,302,000, RMB9,922,000 and RMB75,831,000 as at 31 December 2015, 2016 and 2017, respectively (note 18).
- (iii) the pledges over certain of the Group's patents, which had an aggregate net carrying value of approximately RMB3,292,000 and RMB2,792,000 as at 31 December 2016 and 2017 (note 14).
- (iv) the pledges over certain of the Group's time deposits, amounting to approximately RMB8,290,000, RMB17,100,000 and RMB18,252,000 as at 31 December 2015, 2016 and 2017, respectively (note 22).

In addition, Mr. Chan Cheung Ngai and Mr. Luk Wing Ming, the directors of the Company, and Ms. Zhang Hui, the spouse of Mr. Chan Cheung Ngai, have guaranteed certain of the Group's bank loans up to RMB34,007,000 at 31 December 2015. Mr. Chan Cheung Ngai and Mr. Luk Wing Ming, the directors of the Company, Ms. Zhang Hui, the spouse of Mr. Chan Cheung Ngai, Ms. Zhu Zhaoxia, the mother of Mr. Luk Wing Ming, and Mr. Lu Peixi, the father of Mr. Luk Wing Ming, have guaranteed certain of the Group's bank loans up to RMB99,841,000 at 31 December 2016. Mr. Chan Cheung Ngai and Mr. Luk Wing Ming, the directors of the Company, Ms. Zhang Hui, the spouse of Mr. Chan Cheung Ngai, Ms. Zhu Zhaoxia, the mother of Mr. Luk Wing Ming, and Mr. Lu Peixi, the father of Mr. Luk Wing Ming, have guaranteed certain of the Group's bank loans up to RMB156,488,000 at 31 December 2017.

## 26. FINANCE LEASE PAYABLES

The Group has certain finance leases for motor vehicles. These leases are classified as finance leases with maturity dates before the end of 2019. As at 31 December 2015, 2016 and 2017, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 2015	Minimum lease payments 2016	Minimum lease payments 2017	Present value of minimum lease payments 2015	Present value of minimum lease payments 2016	Present value of minimum lease payments 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts payable:						
Within one year	472	390	366	426	359	348
In the second year	365	390	366	335	370	360
In the third to fifth years, inclusive	730	390	–	706	384	–
Total minimum finance lease payments	<u>1,567</u>	<u>1,170</u>	<u>732</u>	<u>1,467</u>	<u>1,113</u>	<u>708</u>
Future finance charges	<u>(100)</u>	<u>(57)</u>	<u>(24)</u>			
Total net finance payables	1,467	1,113	708			
Portion classified as current liabilities (note 25)	<u>(426)</u>	<u>(359)</u>	<u>(348)</u>			
Non-current portion (note 25)	<u>1,041</u>	<u>754</u>	<u>360</u>			

## 27. DEFERRED TAX

The movements in deferred tax liabilities and assets during the Relevant Periods are as follows:

## Deferred tax liabilities

	Depreciation allowance in excess of related depreciation
	RMB'000
Gross deferred tax liabilities at 1 January 2015	131
Deferred tax charged to the statement of profit or loss during the year (note 10)	<u>280</u>
Gross deferred tax liabilities at 31 December 2015 and 1 January 2016	411
Deferred tax credited to the statement of profit or loss during the year (note 10)	<u>(50)</u>
Gross deferred tax liabilities at 31 December 2016 and 1 January 2017	361
Deferred tax credited to the statement of profit or loss during the year (note 10)	<u>(110)</u>
Gross deferred tax liabilities at 31 December 2017	<u>251</u>

## Deferred tax assets

	Impairment of trade and other receivables	Government grants	Amortisation in excess of related amortisation allowance	Accrued payroll	Losses available for offsetting against future taxable profits	Unrealised profit attributable to the intra-group transactions	Impairment of inventories	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross deferred tax assets at 1 January 2015	121	-	-	742	-	928	507	2,298
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	(4)	120	-	(742)	-	220	385	(21)
Gross deferred tax assets at 31 December 2015 and 1 January 2016	117	120	-	-	-	1,148	892	2,277
Deferred tax credited to the statement of profit or loss during the year (note10)	9	256	164	-	-	1,049	1,182	2,660
Gross deferred tax assets at 31 December 2016 and 1 January 2017	126	376	164	-	-	2,197	2,074	4,937
Deferred tax credited/(charged) to the statement of profit or loss during the year (note10)	(5)	198	246	-	1,565	360	(270)	2,094
Gross deferred tax assets at 31 December 2017	121	574	410	-	1,565	2,557	1,804	7,031

For presentation purposes, certain deferred tax assets and liabilities have been offset in the combined statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Net deferred tax assets recognised in the combined statements of financial position	1,866	4,576	6,780
Deferred tax assets have not been recognised in respect of the following item:			
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Tax losses	4,748	12,931	1,801

The above tax losses arising in Mainland China that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of the above item as it is not considered probable that taxable profits will be available against which the above item can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment subsidiaries established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those foreign invested subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2015, 2016 and 2017, no deferred tax has been recognised for withholding taxes that would be payable on unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, these subsidiaries' fund will be retained in Mainland China for the expansion of these subsidiaries' operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB174,030,000, RMB205,184,000 and RMB281,219,000 as at 31 December 2015, 2016 and 2017, respectively.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

## 28. GOVERNMENT GRANTS

	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	–	800	2,510
Grants received during the year	800	1,710	3,661
Recognised as income during the year	–	–	(2,342)
	<u>800</u>	<u>2,510</u>	<u>3,829</u>
At 31 December	<u>800</u>	<u>2,510</u>	<u>3,829</u>
Current	–	1,600	1,366
Non-current	<u>800</u>	<u>910</u>	<u>2,463</u>

The grants are related to the subsidies received from the government for the purpose of compensation for expenses arising from research and development and improvement of manufacturing facilities on certain special projects. Upon completion of the related projects and having passed the final assessment of the relevant government authorities, the grants related to the expense items would be recognised as other income directly in the statements of profit or loss and the grants related to an asset would be released to the statements of profit or loss over the expected useful life of the relevant asset.

## 29. SHARE CAPITAL

The Company was incorporated on 3 January 2017 with authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.

As at 31 December 2017, the issued share capital of the Company is HK\$2 (equivalent to RMB2) with 200 shares of HK\$0.01 each.

There was no authorised and issued capital presented as at 31 December 2015 and 2016 since the Company was not yet incorporated as at those dates.

**30. RESERVES****The Group**

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the combined statements of changes in equity of the Historical Financial Information.

**Statutory surplus reserves**

In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are registered in the PRC as domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to increase share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

**Capital reserve**

The capital reserve of the Group represents the paid-up capital of the companies comprising the Group prior to the incorporation of the Company and the reserve arising from the Reorganization as mentioned in note 2.1 and difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid for acquisition of non-controlling interest in a subsidiary. Details of the movements in the capital reserve are set out in the combined statements of changes in equity.

**Exchange fluctuation reserve**

The exchange fluctuation reserve comprises all relevant exchange differences arising from the translation of the financial statements of foreign operations.

**The Company**

A summary of the Company's reserves is as follows:

	<b>Exchange fluctuation reserves</b>	<b>Accumulated loss</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 3 January 2017 (date of incorporation)	–	–	–
Loss for the year	–	(134)	(134)
Exchange differences on translation of foreign operations	18	–	18
At 31 December 2017	<u>18</u>	<u>(134)</u>	<u>(116)</u>

## 31. NOTE TO THE COMBINED STATEMENTS OF CASH FLOWS

## (a) Major non-cash transactions

During the year ended 31 December 2017, the Group entered into an agreement with Mr. Chan Cheung Ngai and Mr. Luk Wing Ming, the directors of the Company, and United Trinity Holdings Limited ("United Trinity"), Decisions Investment Limited, Intron Holdings Ltd., D&E Partners Group Inc., D&E Holdings Limited, Heroic Mind Limited, Treasure Map Ventures Limited, Future Domain Investment Ltd., Trendy Success Ltd., Forever Elite Holdings Ltd. and Forever Bright Technology Limited, the related parties of the Company, to transfer the amount due from these related parties of RMB2,000,000 to Mr. Chan Cheung Ngai and Mr. Luk Wing Ming.

During the year ended 31 December 2017, the Group entered into an agreement with Mr. Chan Cheung Ngai and Mr. Luk Wing Ming, the directors of the Company, to offset the amount due from the two directors of RMB17,059,000 with the dividends payable to them.

## (b) Changes in liabilities arising from financing activities

	<b>Bank and other loans</b>	<b>Finance lease payables</b>	<b>Amounts due to related parties</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2015	62,583	199	10,159
Changes from financing cash flows	(9,970)	(103)	(9,477)
New finance lease	–	1,521	–
Foreign exchange movement	194	(150)	–
At 31 December 2015	<u>52,807</u>	<u>1,467</u>	<u>682</u>
	<b>Bank and other loans</b>	<b>Finance lease payables</b>	<b>Amounts due to related parties</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2016	52,807	1,467	682
Changes from financing cash flows	48,273	(440)	6,615
Foreign exchange movement	2,296	86	–
At 31 December 2016	<u>103,376</u>	<u>1,113</u>	<u>7,297</u>
	<b>Bank and other loans</b>	<b>Finance lease payables</b>	<b>Amounts due to related parties</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2017	103,376	1,113	7,297
Disposal of subsidiaries to a related party	–	–	500
Changes from financing cash flows	69,991	(346)	(5,040)
Foreign exchange movement	(4,786)	(59)	(8)
At 31 December 2017	<u>168,581</u>	<u>708</u>	<u>2,749</u>

**32. DISPOSAL OF SUBSIDIARIES**

Shenzhen Tuofuwei was established in the PRC on 12 February 2007, which was owned as to 50% by Guangzhou Intron and 50% by G-Pulse, both of which are subsidiaries of the Company. Shanghai Lvliang was established in the PRC on 4 February 2009, which was a 70% owned subsidiary of Shenzhen Tuofuwei. On 24 February 2017, Guangzhou Intron and G-Pulse entered into equity transfer agreements, pursuant to which Guangzhou Intron and G-Pulse transferred all their equity interests in Shenzhen Tuofuwei to Shanghai Yingshun Electronic Technology Co., Ltd. ("Shanghai Yingshun"), a related party, at a consideration of RMB500,000. Such transfer was completed on 26 April 2017. Subsequent to the completion of the equity transfer, the Group lost the control over Shenzhen Tuofuwei and Shanghai Lvliang.

The net assets disposed of were as follows:

	<b>2017</b>
	<i>RMB'000</i>
Net assets disposed of:	
Property, plant and equipment ( <i>note 13</i> )	84
Cash and cash balances	256
Investment in an associate ( <i>note 16</i> )	2,496
Trade receivables	860
Other receivables	59
Other payables	(157)
Non-controlling interests	(279)
	<u>3,319</u>
Loss on disposal of subsidiaries	<u>(2,819)</u>
Satisfied by cash	<u><u>500</u></u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	<b>2017</b>
	<i>RMB'000</i>
Cash consideration	500
Cash and bank balances disposed of	(256)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u><u>244</u></u>

**33. CONTINGENT LIABILITIES**

At the end of each of the Relevant Periods, the Group did not have any significant contingent liabilities.

**34. PLEDGE OF ASSETS**

Details of the Group's assets pledged for the Group's bank and other loans are included in note 25 to the Historical Financial Information.

**35. OPERATING LEASE ARRANGEMENTS**

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.



At 31 December 2015, 2016 and 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	7,345	6,629	10,040
In the second to fifth years, inclusive	6,021	9,031	12,874
	<u>13,366</u>	<u>15,660</u>	<u>22,914</u>

### 36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35 above, the Group had following capital commitments at the end of each of the Relevant Periods:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for: Patents, plant and machinery	<u>200</u>	<u>9,573</u>	<u>1,634</u>

### 37. RELATED PARTY TRANSACTIONS

Details of the Group's principal related parties are as follows:

<u>Name</u>	<u>Relationship</u>
Mr. Chan Cheung Ngai	Director, the ultimate shareholder
Mr. Luk Wing Ming	Director, the ultimate shareholder
Shanghai Maibang Electronics Technology Company Limited ("Shanghai Maibang")	An entity jointly controlled by Mr. Chan Cheung Ngai & Mr. Luk Wing Ming
Decisions Investment Limited	An entity jointly controlled by Mr. Chan Cheung Ngai & Mr. Luk Wing Ming
United Trinity	An entity jointly controlled by Mr. Chan Cheung Ngai & Mr. Luk Wing Ming
UTE	An entity controlled by United Trinity
Heroic Mind Limited	An entity controlled by Mr. Chan Cheung Ngai
Treasure Map Ventures Limited	An entity controlled by Mr. Luk Wing Ming
Future Domain Investment Ltd.	An entity jointly controlled by Heroic Mind Limited & Treasure Map Ventures Limited
D&E Holdings Limited	An entity controlled by Future Domain Investment Ltd.
D&E Partners Group Inc.	An entity jointly controlled by Mr. Chan Cheung Ngai & Mr. Luk Wing Ming
Trendy Success Ltd.	An entity jointly controlled by Heroic Mind Limited & Treasure Map Ventures Limited
Forever Elite Holdings Ltd.	An entity controlled by Trendy Success Ltd.
Intron Holdings Ltd.	An entity jointly controlled by Mr. Chan Cheung Ngai & Mr. Luk Wing Ming
Motovis Inc.	An associate of D&E Partners Group Inc.
Moshi Automatic Technology (Shanghai) Co., Ltd. ("Moshi Automatic")	An entity controlled by Motovis Inc.
Shanghai Yingshun Xinwoke	An entity controlled by D&E Holdings Limited Associate
Forever Bright Technology Limited	An entity controlled by Trendy Success Ltd.
Shenzhen Tuofuwei	An entity controlled by Shanghai Yingshun
Shanghai Lvliang	An entity controlled by Shenzhen Tuofuwei

## The Group

- (a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

		<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of products and services to:				
UTE	<i>(i)</i>	17,515	47,182	61,194
Shanghai Maibang	<i>(i)</i>	184	296	–
Xinwoke	<i>(i)</i>	27	109	–
Moshi Automatic	<i>(i)</i>	325	15	343
		<u>18,051</u>	<u>47,602</u>	<u>61,537</u>
Purchases of goods and services from:				
Shanghai Maibang	<i>(ii)</i>	493	496	–
Moshi Automatic	<i>(ii)</i>	–	–	49
Shanghai Lvliang	<i>(ii)</i>	–	–	80
UTE	<i>(ii)</i>	125	343	8
		<u>618</u>	<u>839</u>	<u>137</u>
Loans to directors:				
Mr. Chan Cheung Ngai	<i>(iii)</i>	17,587	10,661	22,849
Mr. Luk Wing Ming	<i>(iii)</i>	21,495	13,031	27,926
		<u>39,082</u>	<u>23,692</u>	<u>50,775</u>
Loans to a related party:				
UTE	<i>(iv)</i>	49,763	43,977	86,746
Loans from related parties:				
Shanghai Maibang	<i>(iv)</i>	–	8,532	600
Heroic Mind Limited	<i>(iii)</i>	–	–	130
Treasure Map Ventures Limited	<i>(iii)</i>	–	–	130
		<u>–</u>	<u>8,532</u>	<u>860</u>

		<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Payment on behalf of related parties:				
United Trinity		19	2	12
Decisions Investment Limited		5	7	6
Intron Holdings Ltd.		390	281	386
D&E Partner Group Inc.		10	11	6
D&E Holdings Limited		7	5	5
Heroic Mind Limited		–	11	203
Treasure Map Ventures Limited		–	11	203
Future Domain Investment Ltd.		–	11	6
Trendy Success Ltd.		–	11	6
Motovis Inc.		–	–	229
Forever Bright Technology Limited		–	–	11
Forever Elite Holdings Ltd.		–	6	4
		<u>431</u>	<u>356</u>	<u>1,077</u>
Repayment of loans to directors:				
Mr. Chan Cheung Ngai	<i>(iii)</i>	14,143	13,571	28,569
Mr. Luk Wing Ming	<i>(iii)</i>	17,286	16,586	34,917
		<u>31,429</u>	<u>30,157</u>	<u>63,486</u>
Repayment of loans to a related party:				
UTE	<i>(iv)</i>	48,493	35,315	97,916
Repayment of loans from related parties:				
Shanghai Lvliang	<i>(iv)</i>	–	–	200
Shanghai Maibang	<i>(iv)</i>	9,477	1,917	5,700
		<u>9,477</u>	<u>1,917</u>	<u>5,900</u>

		2015	2016	2017
	Note	RMB'000	RMB'000	RMB'000
Refund of payment on behalf of related parties:				
United Trinity		–	1	34
Decisions Investment Limited		–	–	47
D&E Partner Group Inc.		–	–	27
D&E Holdings Limited		–	–	17
Heroic Mind Limited		–	–	214
Treasure Map Ventures Limited		–	–	214
Future Domain Investment Ltd.		–	–	16
Trendy Success Ltd.		–	–	16
Forever Elite Holdings Ltd.		–	–	10
Motovis Inc.		–	–	229
Forever Bright Technology Limited		–	–	11
Intron Holdings Ltd.		–	135	1,453
		–	136	2,288
Guarantee for:				
UTE	(v)	5,000	15,000	15,000

*Notes:*

- (i) The sales of products to related parties were made according to the published prices and conditions offered to the major customers of the Group.
- (ii) The purchases of goods and services from related parties were made according to the published prices and conditions offered by the related parties to their major customers.
- (iii) The loans were unsecured, non-interest-bearing and repayable on demand.
- (iv) The loans were unsecured, non-interest-bearing and repayable on demand or within one year.
- (v) Shanghai Intron has guaranteed certain of the bank loans of UTE up to RMB5,000,000, RMB15,000,000 and RMB15,000,000 as at 31 December 2015, 2016 and 2017, respectively, which are terminated in April 2018. The directors of the Company are of the opinion that the fair value of the guarantee provided to UTE as at 31 December 2015, 2016 and 2017 is not material.
- (b) In addition, Mr. Chan Cheung Ngai and Mr. Luk Wing Ming, the directors of the Company, and Ms. Zhang Hui, the spouse of Mr. Chan Cheung Ngai, have guaranteed certain of the Group's bank loans up to RMB34,007,000 at 31 December 2015. Mr. Chan Cheung Ngai and Mr. Luk Wing Ming, the directors of the Company, Ms. Zhang Hui, the spouse of Mr. Chan Cheung Ngai, Ms. Zhu Zhaoxia, the mother of Mr. Luk Wing Ming, and Mr. Lu Peixi, the father of Mr. Luk Wing Ming, have guaranteed certain of the Group's bank loans up to RMB99,841,000 at 31 December 2016. Mr. Chan Cheung Ngai and Mr. Luk Wing Ming, the directors of the Company, Ms. Zhang Hui, the spouse of Mr. Chan Cheung Ngai, Ms. Zhu Zhaoxia, the mother of Mr. Luk Wing Ming, and Mr. Lu Peixi, the father of Mr. Luk Wing Ming, have guaranteed certain of the Group's bank loans up to RMB156,488,000 at 31 December 2017.

## (c) Outstanding balances with related parties:

- (i) Details of the Group's loans to/from its related parties as at 31 December 2015, 2016 and 2017 are included in notes 19 and 24.
- (ii) Details of the Group's trade balances with its related parties as at 31 December 2015, 2016 and 2017 are disclosed in notes 18 and 23.
- (iii) Details of the Group's loans to directors and a company jointly controlled by the directors are included in note 20.

## (d) Compensation of key management personnel of the Group:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Short term employee benefits	9,351	11,090	14,291
Pension scheme contributions	<u>198</u>	<u>216</u>	<u>268</u>
Total compensation paid to key management personnel	<u><u>9,549</u></u>	<u><u>11,306</u></u>	<u><u>14,559</u></u>

Further details of directors' and co-chief executives' remuneration are included in note 8 to the Historical Financial Information.

**The Company**

## (a) Transactions with a subsidiary and related parties:

	<u>2017</u>
	<i>RMB'000</i>
Loans from a subsidiary:	
Intron HK	<u>134</u>
Loans from related parties:	
Heroic Mind Limited	130
Treasure Map Ventures Limited	<u>130</u>
	<u><u>260</u></u>

The loans were unsecured, non-interest-bearing and repayable on demand.

## (b) Outstanding balances with a subsidiary and related parties:

Details of the Company's outstanding balances to its subsidiary and related parties as at 31 December 2017 are included in note 24.

## 38. FINANCIAL INSTRUMENTS BY CATEGORY

## The Group

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

## 2015

## Financial assets

	Loans and receivables	Available- for-sale financial assets	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and notes receivables	207,857	–	207,857
Financial assets included in prepayments, deposits and other receivables	24,707	–	24,707
Available-for-sale investments	–	2,500	2,500
Pledged deposits	8,290	–	8,290
Cash and cash equivalents	46,971	–	46,971
	<u>287,825</u>	<u>2,500</u>	<u>290,325</u>

## Financial liabilities

	Financial liabilities at amortised cost
	<i>RMB'000</i>
Trade payables	83,575
Financial liabilities included in other payables and accruals	37,943
Interest-bearing bank and other loans	54,274
	<u>175,792</u>

## 2016

## Financial assets

	Loans and receivables	Available- for-sale financial assets	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and notes receivables	322,469	–	322,469
Financial assets included in prepayments, deposits and other receivables	28,942	–	28,942
Available-for-sale investments	–	1,500	1,500
Pledged deposits	17,100	–	17,100
Cash and cash equivalents	65,951	–	65,951
	<u>434,462</u>	<u>1,500</u>	<u>435,962</u>

## 2016

## Financial liabilities

	<b>Financial liabilities at amortised cost</b>
	<i>RMB'000</i>
Trade payables	136,617
Financial liabilities included in other payables and accruals	63,711
Interest-bearing bank and other loans	104,489
	<u>304,817</u>

## 2017

## Financial assets

	<b>Loans and receivables</b>	<b>Available-for-sale financial assets</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and notes receivables	507,538	–	507,538
Financial assets included in prepayments, deposits and other receivables	3,678	–	3,678
Available-for-sale investments	–	2,000	2,000
Pledged deposits	18,252	–	18,252
Cash and cash equivalents	92,252	–	92,252
	<u>621,720</u>	<u>2,000</u>	<u>623,720</u>

## Financial liabilities

	<b>Financial liabilities at amortised cost</b>
	<i>RMB'000</i>
Trade payables	174,829
Financial liabilities included in other payables and accruals	95,397
Interest-bearing bank and other loans	169,289
	<u>439,515</u>

**The Company**

The carrying amounts of each of the categories of financial instruments as at 31 December 2017 are as follows:

**2017****Financial assets**

	<b>Loans and receivables</b>
	<i>RMB'000</i>
Cash and cash equivalents	21

**Financial liabilities**

	<b>Financial liabilities at amortised cost</b>
	<i>RMB'000</i>
Financial liabilities included in other payables and accruals	382

**39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS**

All the carrying amounts of the Group's financial instruments approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, trade and notes receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals and short term interest-bearing bank and other loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

Management has assessed that the fair values of the non-current portion of finance lease payables approximate to their carrying amounts largely due to the fact that such loans were made between the Group and an independent third party financial institution based on prevailing market interest rates.

The fair values of the available-for-sale investments have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for available-for-sale investments as at the end of each of the Relevant Periods was assessed to be insignificant.

**Fair value hierarchy**

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

**The Group****Assets measured at fair value:****As at 31 December 2015**

	<b>Fair value measurement using</b>			<b>Total</b>
	<b>Quoted prices in active markets (Level 1)</b>	<b>Significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Available-for-sale investments	–	2,500	–	2,500



## As at 31 December 2016

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Available-for-sale investments	–	1,500	–	1,500

## As at 31 December 2017

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB'000	RMB'000	RMB'000	
Available-for-sale investments	–	2,000	–	2,000

The Group did not have any financial liabilities measured at fair value as at 31 December 2015, 2016 and 2017.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

#### 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other loans and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

	<u>Increase/ (decrease) in basis points</u>	<u>Increase/ (decrease) in profit before tax</u>	<u>Increase/ (decrease) in equity</u>
		<i>RMB'000</i>	<i>RMB'000</i>
2015			
RMB	50	(17)	(17)
RMB	(50)	17	17
US\$	50	(14)	(14)
US\$	(50)	14	14
2016			
RMB	50	(32)	(32)
RMB	(50)	32	32
US\$	50	(27)	(27)
US\$	(50)	27	27
2017			
RMB	50	(50)	(50)
RMB	(50)	50	50
US\$	50	(46)	(46)
US\$	(50)	46	46

#### Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity as at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	<u>Increase/ (decrease) in rate of foreign currency</u>	<u>Increase/ (decrease) in profit before tax</u>	<u>Increase/ (decrease) in equity</u>
	%	<i>RMB'000</i>	<i>RMB'000</i>
<b>2015</b>			
If RMB weakens against HK\$	5	1,162	1,162
If RMB strengthens against HK\$	(5)	(1,162)	(1,162)
If RMB weakens against US\$	5	(3,305)	(3,305)
If RMB strengthens against US\$	(5)	3,305	3,305
If RMB weakens against CHF	5	53	53
If RMB strengthens against CHF	(5)	(53)	(53)
If RMB weakens against EUR	5	2	2
If RMB strengthens against EUR	(5)	(2)	(2)
If RMB weakens against JPY	5	(1)	(1)
If RMB strengthens against JPY	(5)	1	1

	Increase/ (decrease) in rate of foreign currency	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	RMB'000	RMB'000
<b>2016</b>			
If RMB weakens against HK\$	5	1,004	1,004
If RMB strengthens against HK\$	(5)	(1,004)	(1,004)
If RMB weakens against US\$	5	(3,759)	(3,759)
If RMB strengthens against US\$	(5)	3,759	3,759
If RMB weakens against CHF	5	83	83
If RMB strengthens against CHF	(5)	(83)	(83)
If RMB weakens against EUR	5	(454)	(454)
If RMB strengthens against EUR	(5)	454	454
 <b>2017</b>			
If RMB weakens against HK\$	5	(15)	(15)
If RMB strengthens against HK\$	(5)	15	15
If RMB weakens against US\$	5	(6,242)	(6,242)
If RMB strengthens against US\$	(5)	6,242	6,242
If RMB weakens against CHF	5	46	46
If RMB strengthens against CHF	(5)	(46)	(46)
If RMB weakens against EUR	5	(222)	(222)
If RMB strengthens against EUR	(5)	222	222

**Credit risk**

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, pledged deposits, amounts due from related parties and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades mainly with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different regions.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and other receivables are disclosed in notes 18 and 19 to the Historical Financial Information.

**Liquidity risk**

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its available-for-sale investments and financial assets (e.g., trade receivables and other financial assets) and projected cash flows from operations.

The Group maintains a balance between continuity of funding and flexibility through the use of interest-bearing bank and other loans.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

**The Group****2015**

	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to less than 12 months</b>	<b>1 to 5 years</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	307	75,039	8,229	–	83,575
Financial liabilities included in other payables and accruals	37,261	–	682	–	37,943
Interest-bearing bank and other loans	5,255	24,612	24,551	1,095	55,513
Guarantees given to banks in connection with facilities granted to UTE	5,000	–	–	–	5,000
	<u>47,823</u>	<u>99,651</u>	<u>33,462</u>	<u>1,095</u>	<u>182,031</u>

**2016**

	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to less than 12 months</b>	<b>1 to 5 years</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	942	125,746	9,929	–	136,617
Financial liabilities included in other payables and accruals	56,414	–	7,297	–	63,711
Interest-bearing bank and other loans	18,841	39,431	47,388	780	106,440
Guarantees given to banks in connection with facilities granted to UTE	15,000	–	–	–	15,000
	<u>91,197</u>	<u>165,177</u>	<u>64,614</u>	<u>780</u>	<u>321,768</u>

## 2017

	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to less than 12 months</b>	<b>1 to 5 years</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	1,395	127,128	46,306	–	174,829
Financial liabilities included in other payables and accruals	92,900	–	2,497	–	95,397
Interest-bearing bank and other loans	56,172	70,262	44,627	366	171,427
Guarantees given to banks in connection with facilities granted to UTE	15,000	–	–	–	15,000
	<u>165,467</u>	<u>197,390</u>	<u>93,430</u>	<u>366</u>	<u>456,653</u>

## The Company

## 2017

	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to less than 12 months</b>	<b>1 to 5 years</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial liabilities included in other payables and accruals	382	–	–	–	382
	<u>382</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>382</u>

## Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes interest-bearing bank and other loans, trade payables, other payables and accruals, less cash and cash equivalents and pledged deposits. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of each of the Relevant Periods were as follows:

**The Group**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank and other loans	54,274	104,489	169,289
Trade payables	83,575	136,617	174,829
Other payables and accruals	59,682	97,140	159,512
Less: Cash and cash equivalents	(46,971)	(65,951)	(92,252)
Pledged deposits	(8,290)	(17,100)	(18,252)
Net debt	<u>142,270</u>	<u>255,195</u>	<u>393,126</u>
Equity attributable to owners of the parent	<u>242,339</u>	<u>342,137</u>	<u>428,190</u>
Capital and net debt	<u><u>384,609</u></u>	<u><u>597,332</u></u>	<u><u>821,316</u></u>
Gearing ratio	<u>37%</u>	<u>43%</u>	<u>48%</u>

**The Company**

	<u>2017</u>
	<i>RMB'000</i>
Other payables and accruals	382
Less: Cash and cash equivalents	<u>(21)</u>
Net debt	<u>361</u>
Equity attributable to owners of the parent	<u>(116)</u>
Capital and net debt	<u><u>477</u></u>
Gearing ratio	<u><u>76%</u></u>

**41. EVENTS AFTER THE REPORTING PERIOD****Dividend distribution**

Pursuant to the resolution of the Intron HK's shareholders' meeting held on 18 January 2018, a dividend of US\$6,200,000 was approved to be distributed to its then shareholders.

Pursuant to the resolution of Shanghai Intron's shareholders' meeting held on 25 January 2018, a dividend of RMB100,000,000 was approved to be distributed to its then shareholders.

**42. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2017.

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus.

### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants is to illustrate the effect of the Global Offering on the combined net tangible assets of the Group attributable to owners of the Company as at 31 December 2017 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the combined net tangible assets attributable to owners of the Company had the Global Offering been completed as at 31 December 2017 or at any future date.

	Combined net tangible assets attributable to owners of the Company as at 31 December 2017	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company as at 31 December 2017	Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company per Share as at 31 December 2017	Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company per Share as at 31 December 2017
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	(HK\$ equivalent) (Note 4)
Based on an Offer Price of HK\$2.61 per Share, after a Downward Offer Price Adjustment of 10%	413,301	476,307	889,608	0.89	1.09
Based on an Offer Price of HK\$2.90 per Share	413,301	533,556	946,857	0.95	1.16
Based on an Offer Price of HK\$3.33 per Share	413,301	618,443	1,031,744	1.03	1.26

*Notes:*

1. The combined net tangible assets attributable to owners of the Company as at 31 December 2017 is arrived at after deducting other intangible assets of RMB14,889,000 from combined equity attributable to owners of the Company of RMB428,190,000 as of 31 December 2017, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Global Offering are based on estimated offer prices of HK\$2.90 or HK\$3.33 per Share, and also based on an Offer Price of HK\$2.61 (being the low-end of the offer price range set out in this prospectus after making a Downward Offer Price Adjustment of 10%), after deduction of the underwriting fees and other related expenses payable by our Company and do not take into account any share which may be issued upon exercise of the Over-allotment Option.
3. The unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 1,000,000,000 Shares are in issue assuming that the Global Offering had been completed on 31 December 2017.
4. The unaudited pro forma adjusted combined net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of RMB0.81835 to HK\$1.00.
5. After adjusting for the dividends in the aggregate amount of approximately RMB139.8 million declared by Shanghai Intron and Intron HK after the end of the Track Record Period, the unaudited pro forma adjusted net tangible assets per Share is approximately HK\$0.99 based on an Offer Price of HK\$2.90, approximately HK\$1.09 based on an Offer Price of HK\$3.33 and approximately HK\$0.92 based on an Offer Price of HK\$2.61 (being the low-end of the offer price range set out in this prospectus after making a Downward Offer Price Adjustment of 10%).



**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

22/F, CITIC Tower  
1 Tim Mei Avenue  
Central  
Hong Kong

To the Directors of Intron Technology Holdings Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Intron Technology Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma combined net tangible assets as at 31 December 2017, and related notes as set out on pages II-1 to II-2 of the prospectus dated 29 June 2018 (the “Prospectus”) issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in notes 1 to 5 of Appendix II (A).

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 31 December 2017 as if the transaction had taken place at 31 December 2017. As part of this process, information about the Group’s financial position, has been extracted by the Directors from the Group’s financial statements for the period ended 31 December 2017, on which an accountants’ report has been published.

**Directors’ responsibility for the Pro Forma Financial Information**

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

**Our independence and quality control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive

system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting accountants' responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

29 June 2018

*This appendix contains a summary of the Memorandum and Articles of Association. As the information set out below is in summary form, it does not contain all the information that may be important to potential investors.*

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 3 January 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (the “Memorandum”) and its Amended and Restated Articles of Association (the “Articles”).

## 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 22 June 2018 with effect from the admission and listing of the Shares on the Main Board of the Hong Kong Stock Exchange. The following is a summary of certain provisions of the Articles:

### (a) Shares

#### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

#### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than

three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(iii) Alteration of capital**

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

**(iv) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Hong Kong Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Hong Kong Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

***(v) Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Hong Kong Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

***(vi) Power of any subsidiary of the Company to own shares in the Company***

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

***(vii) Calls on shares and forfeiture of shares***

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(b) Directors*****(i) Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at

least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or



terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Hong Kong Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

***(iii) Power to dispose of the assets of the Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

**(iv) Borrowing powers**

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

**(v) Remuneration**

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and

their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

***(vi) Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

***(vii) Loans and provision of security for loans to Directors***

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Hong Kong Companies Ordinance as if the Company were a company incorporated in Hong Kong.

***(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries***

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director

holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(e) Meetings of members*****(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

***(ii) Voting rights and right to demand a poll***

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Hong Kong Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

***(iii) Annual general meetings***

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Hong Kong Stock Exchange.

***(iv) Notices of meetings and business to be conducted***

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Hong Kong Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Hong Kong Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

**(v) *Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

**(vi) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Hong Kong Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.



At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set out aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares

credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

#### **(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

#### **(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set out such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

### 3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

#### (a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

#### (b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman

Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 24 January 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.



**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

**(p) Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Hong Kong Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Hong Kong Stock Exchange, the Company is not required to maintain a beneficial ownership register.

**(q) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

#### **(r) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

#### **(s) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

#### **(t) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in "Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**ABOUT OUR COMPANY****1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on 3 January 2017. Our Company's registered address is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Our Company was registered in Hong Kong under Part 16 of the Hong Kong Companies Ordinance as a non-Hong Kong company on 22 December 2017 and our principal place of business in Hong Kong is at Unit 1008-10, 10/F., Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong. In compliance with the requirements of the Hong Kong Companies Ordinance, Mr Chan Ngai Sing of Flat C, 16/F., Block 6, Royal Ascot, 1 Tsun King Road, Shatin, New Territories, Hong Kong has been appointed as the agent for the acceptance of service of process and any notice required to be served on the Company in Hong Kong.

Since our Company was incorporated in the Cayman Islands, our operation is subject to the relevant laws and regulations of the Cayman Islands as well as our Company's constitution which comprises the Memorandum of Association and the Articles of Association. A summary of certain parts of our constitution and certain relevant aspects of Cayman Companies Law is set out in Appendix III to this prospectus.

**2. Changes in share capital of our Company*****(a) Increase in authorized share capital***

As at the date of incorporation of our Company on 3 January 2017, our authorized share capital was HK\$380,000 divided into 38,000,000 Shares having a par value of HK\$0.01 each. The following sets out the changes in our Company's issued share capital since the date of our incorporation:

- (i) On 3 January 2017, one Share was allotted and issued as fully-paid and at par to Kevin Butler, the initial subscriber and an independent third party. On the same day, the said one Share was transferred to Heroic Mind.
- (ii) On 3 January 2017, an additional 100 and 99 Shares were allotted and issued as fully-paid and at par to Treasure Map and Heroic Mind, respectively.
- (iii) On 22 January 2018, an additional 700 and 100 Shares were allotted and issued, as fully-paid and at par, to Magnate Era and Zenith Benefit, respectively.

Following the foregoing allotment and issuance of Shares, the entire issued share capital of our Company was held by Magnate Era (as to 70.0%), Zenith Benefit (as to 10.0%), Treasure Map (as to 10.0%) and Heroic Mind (as to 10.0%).

Immediately following completion of the Global Offering and the Capitalization Issue but taking no account of any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, the authorized share capital of the Company will be HK\$24,000,000 divided into 2,400,000,000 Shares, of which 1,000,000,000 Shares will be issued fully paid or credited as fully paid, and 1,400,000,000 Shares will remain unissued.

Other than pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, there is no present intention to issue any of the authorized but unissued share capital of the Company.

Save as disclosed above and in “3. Resolutions in writing of the Shareholders passed on 22 June 2018” and “4. Corporate reorganization” in this Appendix, there has been no alteration in the share capital of our Company since incorporation.

**(b) Founder shares**

The Company has no founder shares, management shares or deferred shares.

**3. Resolutions in writing of the Shareholders passed on 22 June 2018**

By resolutions in writing of all the Shareholders passed on 22 June 2018, among other things:

- (a) the Company conditionally approved and adopted the Articles of Association with effect from the Listing Date;
- (b) the authorized share capital of the Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$24,000,000 divided into 2,400,000,000 Shares by the creation of an additional 2,362,000,000 Shares;
- (c) conditional on (aa) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this prospectus; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:
  - (i) the terms and conditions of the Global Offering were approved and the Directors were authorized to (aa) allot and issue the Offer Shares pursuant to the Global Offering including the Over-allotment Option; (bb) finalize the structure of the Global Offering; and (cc) do all things

and execute all documents in connection with or incidental to the Global Offering with such amendments or modifications (if any) as the Directors may consider necessary or appropriate;

- (ii) the rules of the Share Option Scheme, the principal terms of which are set out in “Other Information – 13. Share Option Scheme” in this Appendix, were approved and adopted and the Directors were authorized to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Hong Kong Stock Exchange, and at the Directors’ absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;
- (iii) conditional on the share premium account of the Company being credited as a result of the Global Offering, the Directors were authorized to capitalize HK\$7,499,990 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 749,999,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of the Company at the close of business on the day prior to the Listing Date (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution should rank *pari passu* in all respects with the then existing issued Shares and the Directors were authorized to give effect to such capitalization and to allot and issue Shares pursuant thereto;
- (iv) a general unconditional mandate was given to the Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or under the Global Offering or the Capitalization Issue, Shares with an aggregate nominal amount of not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Global Offering and the Capitalization Issue, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association, the Cayman Companies Law or any other applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first;

- (v) a general unconditional mandate (the “Repurchase Mandate”) was given to the Directors to exercise all powers of our Company to repurchase Shares on the Hong Kong Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognized by the SFC and the Hong Kong Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following the completion of the Global Offering and the Capitalization Issue until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association, the Cayman Companies Law or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and
- (vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (iv) above to include the aggregate nominal amount of Shares which may be repurchased pursuant to the Repurchase Mandate referred to in paragraph (v) above.

#### **4. Corporate reorganization**

The companies comprising our Group underwent a reorganization to rationalize our Group’s structure in preparation for the Listing. For more details regarding the Reorganization, see “Reorganization”.

#### **5. Changes in share capital of members of our Group**

Save as disclosed in “History and Development” and “Reorganization”, no other alterations in the share capital of any members of our Group took place within the two years immediately preceding the date of this prospectus.

#### **6. Particulars of our subsidiaries**

Our Group comprises our Company and seven constituent members. Please see Note 1 to the Accountant’s Report included in Appendix I to this prospectus for a summary of the corporate information of these companies.

#### **7. Repurchase by our Company of our own securities**

This paragraph includes the information required by the Hong Kong Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

**(a) Shareholders' approval**

All proposed repurchases of securities (which must be fully paid up in the case of shares for the purpose of Rule 10.06(1)(b)(i) of the Listing Rules) by a company listed on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval.

Pursuant to a resolution in writing passed by all the Shareholders on 22 June 2018, our Directors have been granted the Repurchase Mandate. See "3. Resolutions in writing of the Shareholders passed on 22 June 2018" above.

**(b) Source of funds**

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles of Association and the Cayman Companies Law. A listed company may not repurchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange. Under the Cayman Islands laws, any repurchases by the Company may be made out of profits of the Company, out of the Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorized by the Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of either or both of the profits of the Company or the share premium account of the Company or, if authorized by the Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital.

**(c) Reasons for repurchases**

The Directors believe that it is in the best interest of the Company and the Shareholders for the Directors to have general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and the Shareholders.

**(d) Funding of repurchases**

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed



in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Group.

**(e) *Share of Capital***

The exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately after the Listing, would result in up to 100,000,000 Shares being repurchased by the Company during the period in which the Repurchase Mandate remains in force.

**(f) *General***

Neither the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company or its subsidiaries.

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase of such Shareholders' interest, could obtain or consolidate control of the Company and may become obliged under Rule 26 of the Takeovers Code to make a mandatory offer unless a whitewash waiver is obtained. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person of our Company has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so if the Repurchase Mandate is exercised.

**FURTHER INFORMATION ABOUT OUR BUSINESS****8. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business of our Group) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (1) an equity transfer agreement dated 5 January 2017 entered into between Lu Peixi (as transferor) and Shanghai Intron (as transferee), pursuant to which Shanghai Intron acquired from Lu Peixi 6.0% equity interests in G-Pulse for a consideration of RMB600,000, details of which are set out in “Reorganization – Detailed Steps – (3) Transfer of 12.0% equity interests in G-Pulse to Shanghai Intron”;
- (2) an equity transfer agreement dated 5 January 2017 entered into between Zhang Hui (as transferor) and Shanghai Intron (as transferee), pursuant to which Shanghai Intron acquired from Zhang Hui 6.0% equity interests in G-Pulse for a consideration of RMB600,000, details of which are set out in “Reorganization – Detailed Steps – (3) Transfer of 12.0% equity interests in G-Pulse to Shanghai Intron”;
- (3) an equity transfer agreement dated 13 March 2017 entered into between Shanghai Maibang (as transferor) and Shanghai Intron (as transferee), pursuant to which Shanghai Intron acquired from Shanghai Maibang 40.0% equity interests in Guangzhou Intron for a consideration of RMB400,000, details of which are set out in “Reorganization – Detailed Steps – (5) Transfer of 40.0% equity interests in Guangzhou Intron to Shanghai Intron”;
- (4) an instrument of transfer and the bought and sold notes dated 12 July 2017 entered into between Mr Luk (as transferor) and our Company (as transferee), pursuant to which our Company acquired 375 shares held by Mr Luk in Intron HK for a consideration of HK\$112,500, details of which are set out in “Reorganization – Detailed Steps – (6) Transfer of the entire issued share capital of Intron HK to our Company”;
- (5) an instrument of transfer and the bought and sold notes dated 12 July 2017 entered into between Mr Chan (as transferor) and our Company (as transferee), pursuant to which our Company acquired 375 shares held by Mr Chan in Intron HK for a consideration of HK\$112,500, details of which are set out in “Reorganization — Detailed Steps — (6) Transfer of the entire issued share capital of Intron HK to our Company”;
- (6) an instrument of transfer and the bought and sold notes dated 29 December 2017 entered into between SFT HK (as transferor) and Intron HK (as transferee), pursuant to which Intron HK acquired 2,000 shares held by SFT HK in Evertronics for a consideration of HK\$400,000, details of which are set out in “Reorganization – Detailed Steps – (8) Transfer of 20.0% of the issued share capital of Evertronics to Intron HK”;

- (7) an equity transfer agreement dated 1 February 2018 entered into between Lu Peixi (as transferor) and Intron China (as transferee), pursuant to which Intron China acquired from Lu Peixi (as nominee for and on behalf of Mr Luk) 50% equity interests in Shanghai Intron for a consideration of RMB5 million, details of which are set out in “Reorganization – Detailed Steps – (9) Transfer of the entire equity interests in Shanghai Intron to Intron China”;
- (8) an equity transfer agreement dated 1 February 2018 entered into between Zhang Hui (as transferor) and Intron China (as transferee), pursuant to which Intron China acquired from Zhang Hui (as nominee for and on behalf of Mr Chan) 50% equity interests in Shanghai Intron for a consideration of RMB5 million, details of which are set out in “Reorganization – Detailed Steps – (9) Transfer of the entire equity interests in Shanghai Intron to Intron China”;
- (9) the Deed of Indemnity;
- (10) the Deed of Non-Competition;
- (11) a cornerstone investment agreement dated 27 June 2018 entered into among our Company, Heroic Achiever Limited and the Sole Global Coordinator, pursuant to which Heroic Achiever Limited agreed to subscribe for our Shares in the amount of US\$17.0 million; and
- (12) the Hong Kong Underwriting Agreement.





## 9. Our intellectual property rights

The following sets out certain information about our intellectual property rights which we consider to be material in relation to our business.

### *Trademarks*

As at the Latest Practicable Date, we were the registered and beneficial owner of the following trademarks:

<u>Trade Mark</u>	<u>Place of registration</u>	<u>Class</u>	<u>Registration number</u>	<u>Duration of validity</u>	<u>Registered owner</u>
英恒电子	PRC	42	13529921	28 January 2015 – 27 January 2025	Shanghai Intron
	PRC	42	13382015	7 April 2015 – 6 April 2025	Shanghai Intron
	PRC	12	15805754	28 April 2016 – 27 April 2026	Shanghai Intron
英恒电子	PRC	12	15853398	28 April 2016 – 27 April 2026	Shanghai Intron
	PRC	9 and 12	15248787	14 August 2016 – 13 August 2026	G-Pulse
	PRC	9	17999883	14 January 2017 – 13 January 2027	G-Pulse
	PRC	12	18000635	7 November 2016 – 6 November 2026	G-Pulse
	PRC	42	18000716	14 November 2016 – 13 November 2026	G-Pulse
	PRC	12	18340660	28 September 2017 – 27 September 2027	Shanghai Intron
	PRC	42	18340854	7 October 2017 – 6 October 2027	Shanghai Intron
	PRC	12	21388133	21 November 2017 – 20 November 2027	Shanghai Intron
	PRC	42	21388475	21 November 2017 – 20 November 2027	Shanghai Intron

<u>Trade Mark</u>	<u>Place of registration</u>	<u>Class</u>	<u>Registration number</u>	<u>Duration of validity</u>	<u>Registered owner</u>
	PRC	12	17420415	28 October 2017 – 27 October 2027	Shanghai Intron
	PRC	9	21387958	14 January 2018 – 13 January 2028	Shanghai Intron
	Hong Kong	35	300347427	31 December 2014 – 30 December 2024	Intron HK
	Hong Kong	9, 35 and 42	303995399	16 December 2016 – 15 December 2026	Intron HK

### ***Patents and software copyrights***

The following tables set out the patents and software copyrights we had registered or applied for in the PRC as the Latest Practicable Date which we consider to be material to our business for each key area of application of our solutions:

#### *New energy*

<u>Type</u>	<u>Registration/ application number</u>	<u>Status</u>	<u>Expiry/ application date</u>	<u>Use</u>
Utility model	ZL201220276599.8	Registered	11 June 2022	Control system for brushless DC motors used for electric vehicle
Invention	201610251518.1	Application pending	21 April 2016	Method for estimating the rotor temperature of motors
Utility model	ZL 201620909856.5	Registered	18 August 2026	A BLDC motor controller
Utility model	ZL 201620845233.6	Registered	4 August 2026	IGBT driver
Utility model	ZL201320335765.1	Registered	8 June 2023	Motor control system based on MCU and CPLD
Invention	ZL 201210193184.9	Registered	11 June 2032	Method and system for controlling brushless DC motors in electric vehicles

<u>Type</u>	<u>Registration/ application number</u>	<u>Status</u>	<u>Expiry/ application date</u>	<u>Use</u>
Invention	201610030984.7	Application pending	18 January 2016	Position sensorless controller and method for controlling three-phase brushless motors
Invention	201610674503.6	Application pending	16 August 2016	Method for position sensorless vector control of low-power permanent magnet synchronous motors
Invention	201610776444.3	Application pending	30 August 2016	Method for over-modulation control (without a three-phase current sensor) for permanent magnet synchronous motors
Utility model	ZL201320281127.6	Registered	21 May 2023	Low interference IGBT driver based on independent power supply
Software copyright	2013SR001310	Registered	N/A	G-Pulse motor traction control passive safety software V1.0 for battery-only electric vehicles
Utility model	ZL201620842265.0	Registered	4 August 2026	Motor controller with functional safety features
Software copyright	2016SR191626	Registered	31 December 2065	Intron fast fault protection software V1.0 for large motors used in vehicles
Software copyright	2016SR148043	Registered	31 December 2065	Intron multi-core architecture battery management software V1.0

<u>Type</u>	<u>Registration/ application number</u>	<u>Status</u>	<u>Expiry/ application date</u>	<u>Use</u>
Software copyright	2011SR065471	Registered	N/A	Automotive battery system management software V1.0
Utility model	ZL201320369750.7	Registered	25 June 2023	Switching device for vehicle power battery management system
Utility model	ZL201721091318.0	Registered	28 August 2027	Whole vehicle control unit for multiple functions for electric vehicles

*Body control*

<u>Type</u>	<u>Registration/ application number</u>	<u>Status</u>	<u>Expiry/ application date</u>	<u>Use</u>
Invention	ZL201010252136.3	Registered	11 August 2030	Rain sensor and control method
Invention	ZL201110448715.X	Registered	27 December 2031	Sensor based wiper control system
Software copyright	2016SR148035	Registered	31 December 2066	G-Pulse gateway controller base-level software V1.0 based on AutoSAR architecture
Software copyright	2010SR072886	Registered	N/A	Automotive dashboard control software V1.0
Invention	201610343183.6	Application pending	20 May 2016	Microcontroller-based programming device and programming method, programming system

*Safety*

<u>Type</u>	<u>Registration/ application number</u>	<u>Status</u>	<u>Expiry/ application date</u>	<u>Use</u>
Invention	201810198894.8	Application pending	12 March 2018	Gateway controller for various communication protocols compatible with Ethernet and CAN FD
Invention	201610566326.X	Application pending	18 July 2016	A method for monitoring motor control system and torque safety
Utility model	ZL 201620498253.0	Registered	26 May 2026	Whole vehicle control unit with functional safety protection and integrated gateway
Software copyright	2017SR498534	Registered	N/A	TC234-based TLF35584 safety mechanism self-testing software V1.0

*Powertrain*

<u>Type</u>	<u>Registration/ application number</u>	<u>Status</u>	<u>Expiry/ application date</u>	<u>Use</u>
Invention	201610339195.1	Application pending	20 May 2016	PTC heating control system and method for a new energy vehicle
Utility model	ZL201620499971.X	Registered	26 May 2026	Oil pump controller
Software copyright	2014SR170980	Registered	31 December 2064	G-Pulse electronic water pump control software V1.0
Invention	201610554441.5	Application pending	14 July 2016	Automotive pump motor controller



Type	Registration/ application number	Status	Expiry/ application date	Use
Utility model	ZL 201621004472.5	Registered	29 August 2026	DC motor-based oil pump control system
Utility model	201721130467.3	Application pending	5 September 2017	PTC heater control system based on double single-chip processor
Utility model	ZL 201620571515.1	Registered	13 June 2026	Oil pump motor controller based on hardware safety circuit

### **Domain names**

As at the Latest Practicable Date, we maintained the following domain name registrations:

Domain name	Date of registration	Date of expiration	Registered owner
intron-tech.com	12 February 2001	12 February 2019	Intron HK
intron-tech.com.cn	7 June 2005	7 June 2019	Shanghai Intron
英恒.cc	26 December 2010	26 December 2018	Shanghai Intron
英恒科技.com	24 December 2010	24 December 2018	Shanghai Intron
英恒电子.com	24 December 2010	24 December 2018	Shanghai Intron
g-pulse.net	30 October 2009	30 October 2018	G-Pulse
g-pulse.cn	30 October 2009	30 October 2018	G-Pulse
g-pulse.com.cn	30 October 2009	30 October 2018	G-Pulse

## **10. Connected transaction and related party transactions**

See “Business”, “Relationship with Controlling Shareholders”, “Connected Transaction”, “History and Development”, “Reorganization” and Note 37 to the Accountant’s Report included in Appendix I to this prospectus for our connected transaction following Listing and related party transactions during the Track Record Period.

## **FURTHER INFORMATION ABOUT DIRECTORS**

### **11. Directors**

#### **(a) Particulars of Directors’ service contracts**

##### *Executive Directors*

Each of our executive Directors has entered into a service contract with us for a term of three years commencing from the Listing Date, which may be terminated by not less than two months’ notice in writing served by either party on the other.

*INEDs*

Each of the INEDs has entered into a letter of appointment with us for an initial term of three years commencing from 22 June 2018 unless terminated by not less than three months' notice in writing served by the INED concerned or the Company. Tsui Yung Kwok, Yu Hong and Jiang Yongwei are entitled to a director's fee of HK\$240,000, HK\$180,000 and HK\$180,000 per annum, respectively. Save for such directors' fees, none of the INEDs is entitled to receive any other remuneration for holding their office as an INED.

None of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

**(b) Remuneration of Directors**

- (i) The aggregate amount of fees, salaries, bonuses, allowances, benefits in kinds and retirement benefits scheme contributions we paid to our Directors in respect of 2015, 2016 and 2017 were approximately RMB7.4 million, RMB8.7 million and RMB11.5 million, respectively. Information on the remuneration of our Directors during the Track Record Period is set out in Note 8 to the Accountant's Report included in Appendix I to this prospectus.
- (ii) Under the arrangements currently in force, the aggregate remuneration (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including the INEDs) in their respective capacity as Directors for the year ending 31 December 2018 are expected to be approximately RMB12.0 million.
- (iii) During the Track Record Period, no remuneration was paid to our Directors as an inducement to join or upon joining our Group. No compensation was paid to, or receivable by, our Directors or past Directors during the Track Record Period for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) There had been no arrangements under which a Director has waived or agreed to waive any emoluments for the Track Record Period.

**(c) *Interests and short positions of Directors and chief executive in the Shares, underlying Shares or debentures of the Company and its associated corporations following the Global Offering***

Immediately following completion of the Global Offering and the Capitalization Issue but taking no account of any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme, the interests and short positions of our Directors and our chief executive in the Shares, underlying shares and debentures of our Company and any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to notified to our Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

*(i) Interest in Shares of our Company*

<u>Name of Director</u>	<u>Capacity/ nature of interest</u>	<u>Number and class of securities<sup>(1)</sup></u>	<u>Approximate percentage of shareholding<sup>(2)</sup></u>
Mr Luk	Interest of controlled corporations	675,000,000 Shares (L) <sup>(3)</sup>	67.50%
Mr Chan	Interest of controlled corporations	675,000,000 Shares (L) <sup>(4)</sup>	67.50%

*Notes:*

- The letter "L" denotes long position in the Shares.
- The calculation is based on the total number of 1,000,000,000 Shares in issue after completion of the Global Offering and the Capitalization Issue.
- Mr Luk owns 50.0% of the issued share capital of each of Magnate Era and Zenith Benefit and 100% of the issued share capital of Treasure Map. Accordingly, Mr Luk will be deemed, upon Listing, to be interested in the aggregate of 675,000,000 Shares owned by Magnate Era, Zenith Benefit and Treasure Map immediately following completion of the Global Offering and the Capitalization Issue.
- Mr Chan owns 50.0% of the issued share capital of each of Magnate Era and Zenith Benefit and 100% of the issued share capital of Heroic Mind. Accordingly, Mr Chan will be deemed, upon Listing, to be interested in the aggregate of 675,000,000 Shares owned by Magnate Era, Zenith Benefit and Heroic Mind immediately following completion of the Global Offering and the Capitalization Issue.

*(ii) Interest in associated corporations of our Company*

<u>Name of Director</u>	<u>Name of associated corporation</u>	<u>Capacity/nature of interest</u>	<u>Number of ordinary shares held in the associated corporation<sup>(1)</sup></u>	<u>Percentage of shareholding</u>
Mr Luk	Magnate Era	Beneficial owner	100 shares (L) <sup>(2)</sup>	50.0%
Mr Chan	Magnate Era	Beneficial owner	100 shares (L) <sup>(2)</sup>	50.0%

*Notes:*

1. The letter "L" denotes long position in the shares of the relevant associated corporation.
2. Magnate Era is the holding company of our Company. It is owned by Mr Luk and Mr Chan in equal shares.

**12. Disclaimers**

Save as disclosed in this prospectus:

- (a) none of the Directors or their associates were engaged in any dealings with the Group during the two years preceding the date of this prospectus;
- (b) none of the Directors has any interest or short position in any of the Shares, underlying shares or debentures of the Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;
- (c) none of the Directors nor the experts listed in the paragraph 19 below was interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of our Group; and

- (e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph 19 below:
  - (i) has any shareholding in any member of the Group; or
  - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

## OTHER INFORMATION

### 13. Share Option Scheme

The following is a summary of principal terms of the Share Option Scheme. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

#### **(a) Purpose**

The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions Eligible Participants (as defined in paragraph (b) below) had or may have made to the Group. The Share Option Scheme will provide Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (i) motivate Eligible Participants to optimize their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

#### **(b) Who may join**

The Board may, at its discretion and subject to such conditions as it thinks fit, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below to:

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any directors (including executive, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries;
- (iii) any advisers (professional or otherwise), consultants, suppliers, customers and agents to the Company or any of its subsidiaries; and

- (iv) related entities who, in the sole opinion of the Board, will contribute or have contributed to the Company or any of its subsidiaries.

(collectively, the “Eligible Participants”)

Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it must be accepted in respect of a board lot of dealing in Shares on the Hong Kong Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

**(c) *Maximum number of Shares***

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Global Offering (i.e. 100,000,000 Shares) and options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company, where applicable). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by the Company to the Shareholders shall contain a generic description of specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with paragraph (q) below whether by way of consolidation, capitalization issue, rights

issue, sub-division or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

**(d) *Maximum number of options to any one individual***

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of Options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by the Company to the Shareholders containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine.

**(e) *Price of Shares***

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the official closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Hong Kong Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

***(f) Granting options to connected persons***

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the INEDs (excluding any INED who is the grantee of the Options). If the Board determines to grant options to a substantial shareholder or any INED or any of their respective associates (as defined in the Listing Rules) which will result in the Shares issued and to be issued upon exercise of options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1%, or such other percentage as may be from time to time provided under the Listing Rules, of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares as stated in the daily quotation sheets of the Hong Kong Stock Exchange on the date of each grant, such further grant of options shall be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by the Company to the Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the INEDs (excluding any INED who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

***(g) Restrictions on the times of grant of Options***

For so long as the Shares are listed on the Hong Kong Stock Exchange, the Board shall not make any grant of options after inside information has come to its



knowledge until the Board has announced the information. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of the Company's annual, half-year, quarterly or other interim period results (whether or not required under the Listing Rules); and
- (ii) the deadline for the Company to publish an announcement of its annual or half-year, or quarterly or other interim period results (whether or not required under the Listing Rules),

and ending on the actual date of publication of the results for such year, half year, quarterly or interim period (as the case may be).

Where the grant of Options is to a Director:

- (i) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

***(h) Rights are personal to grantee***

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme).

***(i) Time of exercise of Option and duration of the Share Option Scheme***

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. There is no minimum period for which an option must be held before it can be exercised.

***(j) Performance target***

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

***(k) Rights on ceasing employment or death***

If the grantee of an option ceases to be an employee of the Company or any of its subsidiaries:

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (l) below, his option to the extent not already exercised on the date of such cessation (which date shall be the last actual working day with the Group or the related entity whether salary is paid in lieu of notice or not) shall lapse automatically on the date of cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

***(l) Rights on dismissal***

If the grantee of an option ceases to be an employee of the Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of the Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, or has been convicted of any criminal offence involving his integrity or honesty or he has become insolvent, bankrupt or has made arrangements with creditors, his option will lapse and not be exercisable after the date of termination of his employment.

***(m) Rights on takeover***

If a general offer (whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional.

***(n) Rights on winding-up***

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of the Company referred to above by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

***(o) Rights on compromise or arrangement between the Company and its members or creditors***

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which the Company was incorporated, the Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

***(p) Ranking of Shares***

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully paid Shares in issue on the date of exercise.

***(q) Effect of alterations to capital***

In the event of any alteration in the capital structure of the Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of the Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of the Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Hong Kong Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Hong Kong Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of the Company for which any grantee of an option is entitled to subscribe pursuant to options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

***(r) Expiry of option***

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n) or (o);
- (iii) the date on which the scheme of arrangement of the Company referred to in paragraph (o) becomes effective;
- (iv) subject to paragraph (n), the date of commencement of the winding-up of the Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of the Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or in relation to an employee of the Group (if so determined by the Board) or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under

the grantee's service contract with the Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

- (vi) the date on which the Board shall exercise the Company's right to cancel the option at any time after the grantee commits a breach of paragraph (h) above or the options are cancelled in accordance with paragraph (t) below.

**(s) *Alteration of the Share Option Scheme***

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or Eligible Participants (as the case may be) in respect of matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by the Shareholders in general meeting provided that the amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules. If the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme.

**(t) *Present status of the Share Option Scheme***

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme. Application has been made to the Listing Committee of the Hong Kong Stock Exchange for the listing of and permission to deal in Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme.

**14. Estate duty, tax and other indemnity**

The Controlling Shareholders have entered into the Deed of Indemnity with and in favour of the Company (for itself and as trustee for each of its subsidiaries as at the date of the deed) to provide indemnities on a joint and several basis, in respect of, among other matters:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of the Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of the Group at any time on or before the Listing;

- (b) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of the Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation;
- (c) any expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties in connection with any failure, delay or defects of corporate or regulatory compliance or errors, discrepancies or missing documents in the statutory records of any member of the Group under, or any breach of any provision of, the Hong Kong Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or any other applicable laws, rules or regulations on or before the date on which the Global Offering becomes unconditional; and
- (d) any claim to which the Company may be subject in respect of any disputes, arbitrations or legal proceedings occurring on or before the Listing Date.

The Controlling Shareholders are under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of the Group for any accounting period up to 31 December 2017;
- (b) to the extent that such taxation or liability falling on any of the members of the Group in respect of any accounting period commencing on or after 1 January 2018 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifier, other than any such act, omission or transaction:
  - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 1 January 2018; and
  - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before 31 December 2017 or pursuant to any statement of intention made in the prospectus;
- (c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the taxation

authority of the PRC, or any other relevant authority (whether in Hong Kong, the PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the Deed of Indemnity with retrospective effect; or

- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of the Group up to 31 December 2017 which is finally established to be an over-provision or an excessive reserve, in which case the Controlling Shareholders' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Controlling Shareholders' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, the Controlling Shareholder have also undertaken to us that they will indemnify and at all times keeps the Group fully indemnified, on a joint and several basis, from (i) any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of the Group may incur or suffer arising from or in connection with the implementation of the Reorganization; and (ii) any loss of economic benefits and any loss suffered by the Group if any part of the government grants received by the Group prior to the Listing is required to be returned to the local government. Based on the proof of financial resources provided by the Controlling Shareholder, the Sole Sponsor is satisfied that the Controlling Shareholder will have sufficient financial resources in the event they are required to indemnify the Group under the Deed of Indemnity.

## **15. Litigation**

As at the Latest Practicable Date, no members of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against our Company or any of our subsidiaries, that would have a material adverse effect on our results of operations or financial condition.

## **16. Preliminary expenses**

The preliminary expenses in relation to the incorporation of our Company amounted to approximately US\$5,900 and was paid by our Company.

## **17. Promoters**

Our Company has no promoter for the purpose of the Listing Rules.

The Sole Sponsor's fee amounts to US\$1,000,000 and is payable by us.

## **18. Application for listing of Shares**

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as

mentioned in this prospectus and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, being up to 10% of the Shares in issue on the Listing Date, on the Hong Kong Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

#### 19. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

<u>Name</u>	<u>Qualification</u>
BNP Paribas Securities (Asia) Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Ernst & Young	Certified public accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Commerce & Finance Law Offices	PRC legal advisers
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

#### 20. Consents of experts

Each of the Sole Sponsor, Ernst & Young, Conyers Dill & Pearman, Commerce & Finance Law Offices and Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. has given and has not withdrawn its written consent to the issue of this prospectus with copies of its reports, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

#### 21. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provision) Ordinance so far as applicable.



**22. Miscellaneous**

- (a) Save as disclosed herein, within two years preceding the date of this prospectus:
  - (i) no share or loan capital of the Company or of any of its subsidiaries has been issued, or is proposed to be issued as fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries; and
  - (iii) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in the Company or any of its subsidiaries; and
- (b) Save as disclosed in this prospectus, no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

**23. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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**APPENDIX V                      DOCUMENTS DELIVERED TO THE REGISTRAR OF  
COMPANIES IN HONG KONG AND  
AVAILABLE FOR INSPECTION**

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**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) copies of **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to under “Other Information – 20. Consents of experts” in Appendix IV to this prospectus; and
- (c) copies of the material contracts referred to in “Further Information about our Business – 8. Summary of material contracts” in Appendix IV to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Mayer Brown JSM at 16th-19th Floors, Prince’s Building, 10 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report and the report on the unaudited pro forma financial information of our Group prepared by Ernst & Young, the texts of which are set out in Appendices I and II to this prospectus;
- (c) the audited financial statements of our Group for the years ended 31 December 2015, 2016 and 2017;
- (d) the letter of advice prepared by Conyers Dill & Pearman, our legal adviser on Cayman Islands law, in relation to certain aspects of the Cayman Companies Law referred to in Appendix III to this prospectus;
- (e) the legal opinions prepared by Commerce & Finance Law Offices, our legal adviser on PRC law, in relation to certain aspects of our Group and our property interests in the PRC;
- (f) the Cayman Companies Law;
- (g) the industry report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.;
- (h) the written consents referred to in “Other Information – 20. Consents of experts” in Appendix IV to this prospectus; and
- (i) the material contracts referred to in “Further Information about our Business – 8. Summary of material contracts” in Appendix IV to this prospectus.



INTRON TECHNOLOGY HOLDINGS LIMITED  
英恒科技控股有限公司