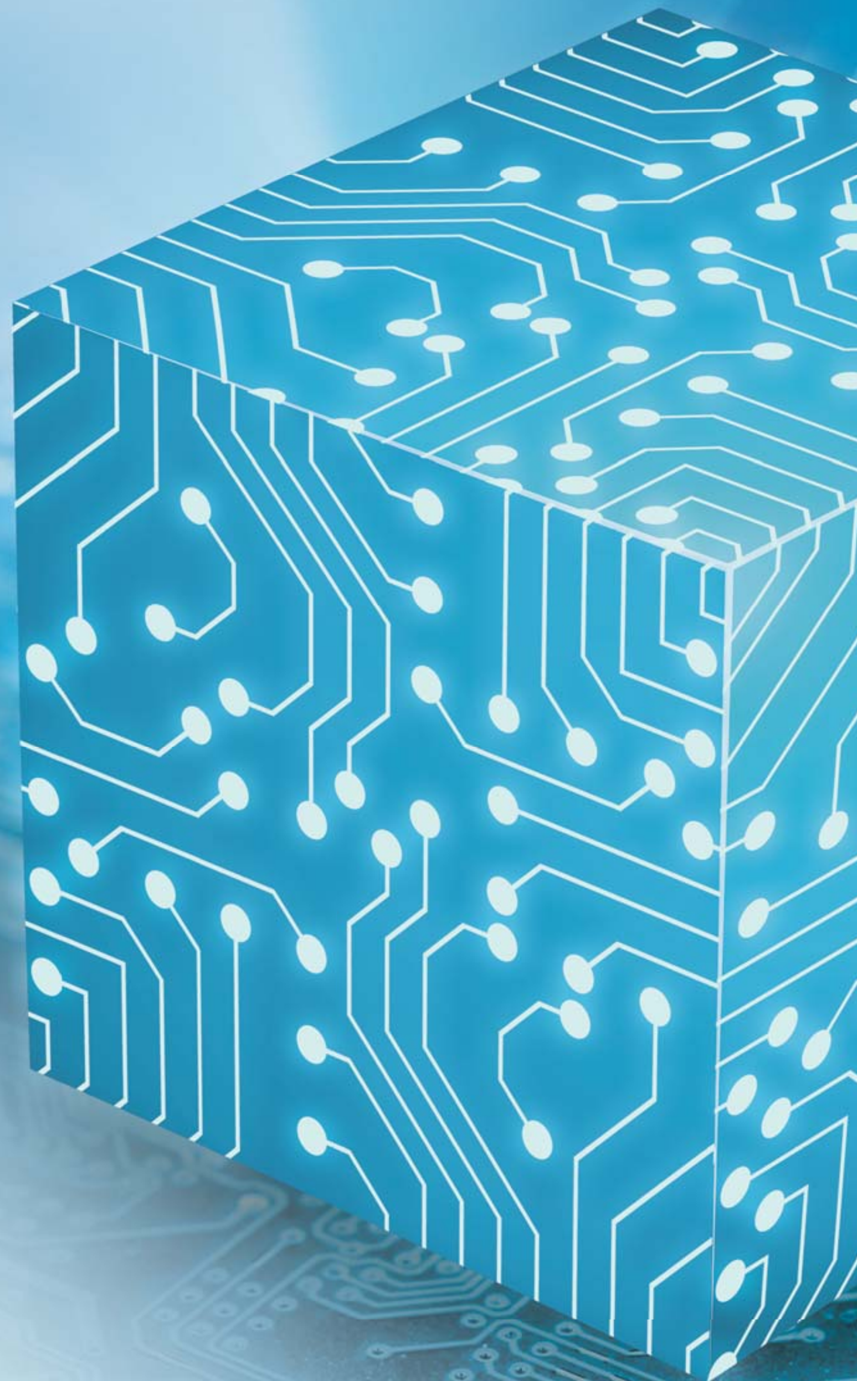
ETERNITY TECHNOLOGY HOLDINGS LIMITED
恒達科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1725

SHARE OFFER



Sole Sponsor

德健融資有限公司
DAKIN CAPITAL LIMITED

Sole Bookrunner

Supreme China Securities Limited
智華證券有限公司

Joint Lead Managers

Supreme China Securities Limited
智華證券有限公司

德健證券有限公司
DAKIN SECURITIES LIMITED

KOALA Securities Limited
樹熊證券有限公司

黃河證券有限公司
Yellow River Securities Limited

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

ETERNITY TECHNOLOGY HOLDINGS LIMITED
恒達科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares under the Share Offer	**:**	**75,000,000 Shares**
Number of Public Offer Shares	**:**	**7,500,000 Shares (subject to reallocation)**
Number of Placing Shares	**:**	**67,500,000 Shares (subject to reallocation)**
Offer Price	**:**	**Not more than HK$2.00 per Offer Share and expected to be not less than HK$1.70 per Offer Share (payable in full on application plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**1725**

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Yellow River Securities Limited

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

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

The Offer Price is expected to be determined by the Price Determination Agreement between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on or about Thursday, 9 August 2018 or such later date as may be agreed between the parties, but in any event not later than Friday, 10 August 2018. If, for any reason, the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by that date or such later date as agreed by our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse. The Offer Price will not be more than HK$2.00 per Offer Share and is expected to be not less than HK$1.70 per Offer Share, unless otherwise announced. The Sole Bookrunner (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the above indicative Offer Price range at any time prior to the Price Determination Date. In such a case, notice of the reduction in the indicative Offer Price range will be available on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.szeternity.com.

Prospective investors of the Offer Shares should note that the Sole Bookrunner (for itself and on behalf of the Underwriters) may in its absolute discretion, upon giving notice in writing to our Company, terminate the Underwriting Agreements with immediate effect if any of the events set forth under the section headed "Underwriting — Underwriting arrangements and expenses — Public Offer Underwriting Agreement — Grounds for termination" of this prospectus occurs at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Sole Bookrunner (for itself and on behalf of the Underwriters) terminate the Underwriting Agreements in accordance with the terms of the Underwriting Agreements, the Share Offer will not proceed and will lapse.

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

3 August 2018

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

	2018[1]
Latest time to complete electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2]	11:45 a.m. on Wednesday, 8 August
Application lists of the Public Offer open[3]	11:45 a.m. on Wednesday, 8 August
Latest time to lodge **WHITE** and **YELLOW** Application Forms and to give **electronic application instructions** to HKSCC[4]	12:00 noon on Wednesday, 8 August
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfers(s) or PPS payment transfer(s)	12:00 noon on Wednesday, 8 August
Application lists of the Public Offer close[3]	12:00 noon on Wednesday, 8 August
Expected Price Determination Date[5]	Thursday, 9 August
Announcement of the final Offer Price, the indication of level of interest in the Placing, the level of applications in the Public Offer, the basis of allocation of the Public Offer Shares to be published on the website of our Company at **www.szeternity.com**[9] and the website of the Stock Exchange at **www.hkexnews.hk** on or before	Wednesday, 15 August
Results of allocations in the Public Offer (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels (see the sub-section headed "How to Apply for Public Offer Shares — 11. Publication of Results" in this prospectus) from	Wednesday, 15 August
Results of allocations in the Public Offer will be available at **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 Number/Business Registration Number" function from	Wednesday, 15 August

Despatch/Collection of share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or before[5][6][7] . . . . Wednesday, 15 August

Despatch/Collection of the White Form e-Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Public Offer on or before[5][7][8]. . . . . Wednesday, 15 August

Dealings in Shares on the Stock Exchange expected to commence at 9:00 a.m. on . . . . Thursday, 16 August

Notes:

1. In this prospectus, unless otherwise stated, all times and dates refer to Hong Kong local times and dates.

2. You will not be permitted to submit your application through the designated website at **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 signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 8 August 2018, the application lists will not open on that day. For further information please refer to the subsection headed "How to Apply for Public Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

4. Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the subsection headed "How to Apply for Public Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

5. The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or around Thursday, 9 August 2018 (or such later date as agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters), but in any event not later than Friday, 10 August 2018). If the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on the Price Determination Date, or such later date or time as may be agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse.

6. Share certificates for the Offer Shares are expected to be issued on or before Wednesday, 15 August 2018 but will only become valid certificates of title provided that the Share Offer becomes unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms before 8:00 a.m. on the Listing Date. Investors who trade the 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.

7. Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques and share certificates (as applicable) in person from our 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, 15 August 2018 or any other date notified by us as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to our Hong Kong Share Registrar.

   Applicants who apply with **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheques (where relevant) in person but may not collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

   Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post and at the own risk of the applicants shortly after the expiry of the time for collection on the date of despatch of refund cheque as described in the subsection headed "How to apply for Public Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

8. e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the price per Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number or if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

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

9. None of the website or any information contained on the website forms part of this prospectus.

For details of the structure of the Share Offer, including the conditions of the Share Offer, and the procedures for application for the Public Offer Shares, you should read "Structure and Conditions of the Share Offer" and "How to Apply for Public Offer Shares", respectively.

IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus to make your investment decision.

Our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriter(s) have not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other party involved in the Share Offer.

The contents on the website at www.szeternity.com which is the official website of our Company do not form part of this prospectus.

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This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are set forth in the section headed "Risk Factors" of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this prospectus, respectively.

OVERVIEW

We are an established EMS provider in the PRC offering integrated manufacturing services which include provision of design enhancement and verification, offering of technical advice and engineering solutions, raw materials selection and procurement, quality control, logistic and delivery and after-sale services to our customers in respect of our assembling and production of PCBAs and fully-assembled electronic products. The PCBAs embedded in our fully-assembled electronic products are primarily manufactured by us with a small portion manufactured and supplied by our suppliers based on our requirements and specifications. Based on the usage of the final electronic products which used our PCBAs, our PCBAs are broadly applied to electronic end products for three principal industries, namely, banking and finance, telecommunication and smart device. According to the Frost & Sullivan Report, we had a market share of 0.03% in the EMS market in the PRC in terms of revenue in 2017. The table below sets forth a breakdown of our revenue during the Track Record Period by product category:

	For the year ended 31 December						For the four months ended 30 April			
	2015		2016		2017		2017		2018	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000* *(Unaudited)*	*% of total revenue*	*RMB'000*	*% of total revenue*
PCBAs *(Note 1)*										
Banking and finance	19,221	10.5	50,657	18.9	62,084	16.7	20,365	15.2	14,198	7.8
Smart device	5,530	3.0	16,289	6.1	42,547	11.5	6,876	5.1	13,669	7.6
Telecommunication	53,612	29.3	24,247	9.1	12,844	3.5	2,285	1.7	6,542	3.6
Others *(Note 2)*	660	0.4	667	0.2	694	0.2	164	0.1	189	0.1
Sub-total	79,023	43.2	91,860	34.3	118,169	31.9	29,690	22.1	34,598	19.1
Fully-assembled electronic products *(Note 3)*										
mPOS	33,615	18.4	110,283	41.2	202,177	54.6	90,239	67.2	117,092	64.6
Tablets	—	—	—	—	12,185	3.3	6,247	4.6	21,054	11.6
Mobile phones	62,548	34.2	50,973	19.0	8,307	2.3	3,377	2.5	2,134	1.2
Digital projectors	5,586	3.0	6,432	2.4	3,478	0.9	825	0.6	1,970	1.1
Photovoltaic inverters	919	0.5	3,311	1.2	487	0.1	143	0.1	179	0.1
Others *(Note 4)*	1,234	0.7	5,031	1.9	25,359	6.9	3,830	2.9	4,147	2.3
Sub-total	103,902	56.8	176,030	65.7	251,993	68.1	104,661	77.9	146,576	80.9
Total	182,925	100.0	267,890	100.0	370,162	100.0	134,351	100.0	181,174	100.0

Notes:

(1) These PCBAs are sold as stand-alone products to our customers for their onward production of various kinds of electronic products in the industries set out below.

(2) Others mainly includes PCBAs for medical devices.

(3) The PCBAs embedded in these fully-assembled electronic products are primarily manufactured by us with a small portion being manufactured and supplied by our suppliers based on our requirements and specifications.

(4) Others mainly includes signal amplifiers, remote controllers for home appliances and street light controllers.

During the Track Record Period, we generated gross profits of approximately RMB34.6 million, RMB47.5 million, RMB60.3 million and RMB27.8 million, respectively, representing gross profit margins of approximately 18.9%, 17.7%, 16.3% and 15.4% respectively.

The table below sets forth a breakdown of gross profit and gross profit margin by product categories for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2015		2016		2017		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(Unaudited)*	*%*	*RMB'000*	*%*
PCBAs *(Note 1)*										
Banking and finance	4,504	23.4	9,731	19.2	10,689	17.2	3,507	17.2	2,432	17.1
Smart device	1,123	20.3	3,255	20.0	7,530	17.7	1,192	17.3	2,322	17.0
Telecommunication	9,895	18.5	4,836	19.9	2,218	17.3	394	17.2	1,113	17.0
Others *(Note 2)*	532	80.6	400	60.0	134	19.3	31	18.9	37	19.6
Sub-total	16,054	20.3	18,222	19.8	20,571	17.4	5,124	17.3	5,904	17.1
Fully-assembled electronic products *(Note 3)*										
mPOS	6,139	18.3	20,346	18.4	34,926	17.3	15,139	16.8	18,894	16.1
Tablets	—	—	—	—	1,224	10.0	623	10.0	2,113	10.0
Mobile phones	10,643	17.0	5,738	11.3	822	9.9	319	9.4	196	9.2
Digital projectors	1,246	22.3	1,446	22.5	601	17.3	143	17.3	346	17.6
Photovoltaic inverters	242	26.3	873	26.4	95	19.5	28	19.6	34	19.0
Others *(Note 4)*	267	21.6	905	18.0	2,099	8.3	332	8.7	361	8.7
Sub-total	18,537	17.8	29,308	16.6	39,767	15.8	16,584	15.8	21,944	15.0
Total	34,591	18.9	47,530	17.7	60,338	16.3	21,708	16.2	27,848	15.4

Notes:

(1) These PCBAs are sold as stand-alone products to our customers for their onward production of various kinds of electronic products in the industries set out below.

(2) Others mainly includes PCBAs for medical devices.

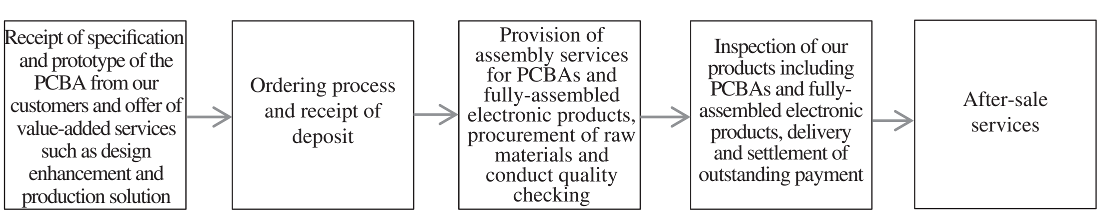
(3) The PCBAs embedded in these fully-assembled electronic products are primarily manufactured by us with a small portion being manufactured and supplied by our suppliers based on our requirements and specifications.

(4) Others mainly include signal amplifiers, remote controllers for home applicances and street light controllers.

OUR BUSINESS MODEL

Our products. Our products comprise PCBAs and fully-assembled electronic products that are embedded with the PCBAs primarily produced by us in-house. Our fully-assembled electronic products mainly including mobile phones, digital projectors, mPOS and photovoltaic inverters which, together with our mobile phones and tablets where their production of which are outsourced to independent third-party companies, are sold under the respective brands of our customers or the brands of their ultimate customers.

Our business model. Our EMS business aims at specialising in large economies of scale in manufacturing, raw materials procurement and pooling together resources, industrial design expertise as well as other value-added services such as warranty and after-sale services. The following diagram illustrates our current EMS business model:



For details, please refer to the paragraph headed "Business — Our business model" in this prospectus.

Our revenue: For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, our revenue amounted to approximately RMB182.9 million, RMB267.9 million, RMB370.2 million and RMB181.2 million, respectively.

Our cost of sales: Our Group's cost of sales consist of raw materials, direct labour, factory overhead and provision for inventories. The following table sets forth a breakdown of our cost of sales during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2015		2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(Unaudited)*	*%*	*RMB'000*	*%*
Cost of sales										
Cost of raw materials used	73,782	49.7	166,036	75.4	239,449	77.3	86,512	76.8	128,042	83.5
Direct labour	48,427	32.6	34,781	15.8	22,026	7.1	8,642	7.7	6,291	4.1
Factory overhead	25,896	17.5	18,576	8.4	47,277	15.3	17,012	15.1	18,843	12.3
Provision for inventories	229	0.2	967	0.4	1,072	0.3	477	0.4	150	0.1
Total	148,334	100.0	220,360	100.0	309,824	100.0	112,643	100.0	153,326	100.0

For detail analysis of our Group's cost of sales, please refer to the paragraph headed "Financial Information — Key components of our consolidated income statements and consolidated statements of comprehensive income — Cost of sales" in this prospectus.

Our pricing policy: We determine the price of our PCBAs and fully-assembled electronic products on a cost-plus basis, with reference to a number of factors including, but not limited to, production costs, costs of raw materials, complexity of the manufacturing process, lead time, packaging requirements and the size of the order.

OUR COMPETITIVE STRENGTHS

Our Directors believe that we possess competitive strengths, which have contributed to our success and distinguished us from our competitors:-

- We offer technical integrated EMS solutions for rendering both PCB assembly services and full electronic product assembly services to our customers with turnkey EMS capabilities;
- We have strong research and development capabilities and has been granted the status of High and New Technology Enterprise* (高新技術企業);
- We fully optimise the functions of our automated machinery and equipment to enable us to achieve efficient and cost-effective production of PCBAs and fully-assembled electronic products;
- We have an experienced management team; and
- We have established long-term and stable relationships with our major customers.

COMPETITIVE LANDSCAPE AND MARKET SHARE

According to the Frost & Sullivan Report, the PRC has overtaken the U.S. as the world's largest electronic products market in terms of sales value since 2015. Sales value of electronic products market in the PRC grew from US$394.0 billion in 2013 to US$457.3 billion in 2017 with a CAGR of 3.8%. Market size of EMS industry in the PRC reached RMB1,347.2 billion in 2017, with a CAGR of 8.8% from 2013 to 2017. In terms of revenue in 2017, top ten companies in the EMS market in the PRC accounted for approximately 50.9% market share, whereas our Group had a market share of approximately 0.03%. According to the Frost & Sullivan Report, the main entry barriers to EMS market in the PRC include (i) requirement of design and manufacturing capabilities; (ii) possession of contract manufacturer certifications; (iii) requirement of supply chain management capabilities; and (iv) large capital investment requirement. The main market drivers of EMS market in the PRC include (i) thriving demand in global electronic products market; (ii) continuously increasing penetration of EMS; (iii) growing capabilities of EMS providers and (iv) the PRC government's policies which encourage market growth. According to the Frost & Sullivan Report, the market size of PCBA industry in the PRC experienced an upward trend in general from RMB258.6 billion in 2013 to RMB319.3 billion in 2017 with a CAGR of 5.4%.

OUR BUSINESS STRATEGIES

We intend to increase our market share and enhance our overall competitiveness by implementing the following strategies:

- Expand our production capacity and enhance our production efficiency;
- Lease the New Premises to align with our production capacity expansion, convert our existing warehouse into an intelligent warehouse and set up an additional intelligent warehouse;
- Further strengthen our research and development capabilities; and
- Upgrade our ERP system and enhance our capabilities in information technology.

OUR PRODUCTION FACILITIES

As at the Latest Practicable Date, we have one production plant, namely, Shenzhen Production Plant, located in Pingshan District, Shenzhen, Guangdong Province, the PRC, which has a gross floor area of approximately 12,000 sq.m., and is equipped with a range of automated machinery and equipment for our SMT assembly lines for assembling PCBAs. As at 31 December 2015, 2016, 2017 and 30 April 2018, we had 13, 11, 10 and 10 SMT assembly lines (inclusive of two, nil, one and one SMT assembly lines leased from Independent Third Parties on a short term basis as at the corresponding date), respectively. As at the Latest Practicable Date, we had ten SMT assembly lines and two DIP assembly lines (inclusive of one SMT assembly line leased from an Independent Third Party). During the Track Record Period, all of our PCBAs manufactured in-house (including both the PCBAs be sold as stand-alone products or embedded in our fully-assembled products) were produced primarily by our SMT assembly lines in SMT production process (which include SMT mounting, reflow mounting, AOI inspection and PCBA function testing). Depending on the design of the PCBA, it may include other electronic components that cannot be placed on the PCB by SMT. As such, these PCBAs have to go through our DIP parts placement process and the relevant components have to be placed on the PCBs by our DIP assembly lines operated partly by our workers manually and partly by machinery. For details of and difference between our SMT assembly lines and DIP assembly lines, please refer to the paragraph respectively headed "The Production Process" and "PCB Assembly" in the section headed "Business — Our production" of this prospectus. Unlike DIP assembly lines, the SMT assembly lines are all interchangeable and can be adjusted according to our production schedules and product specifications. The following table sets out our annual production capacity, actual annual production time and utilisation rate of our SMT assembly lines during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April
	2015	**2016**	**2017**	**2018**
Number of SMT lines *(Note 1)*	11-13	11-12	10-11	10
Number of machine hours (hours) *(Note 2)*	80,850	76,818	69,573	20,244
Number of productive SMT machine hours (hours) *(Note 3)*	72,920	69,153	63,323	18,743
Utilisation rate (%) *(Note 4)*	90.2	90.0	91.0	92.6

Note:

1. The number of SMT lines includes both SMT assembly lines owned by us and leased from independent third party lessors during the Track Record Period.
2. The number of SMT machine hours is calculated by multiplying the number of SMT lines by the number of hours in a day and the number of days in a year that our SMT machines are expected to operate. The above calculation is based on the assumptions that our SMT machines operate 21 hours a days, and 323 days, 321 days, 316 days and 99 days for each of the three years ended 31 December 2017 and the four months ended 30 April 2018, respectively.
3. The number of productive SMT machine hours refer to the total number of actual machine hours utilised in production, which includes set-up time but excludes unforeseen maintenance downtime.
4. The utilisation rate is calculated by dividing the number of productive SMT machine hours by the number of SMT machine hours.

The following table sets forth our annual production capacity, actual annual production time and utilisation rate of our DIP assembly lines during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April
	2015	**2016**	**2017**	**2018**
Number of DIP assembly lines	Two	Two	Two	Two
Number of production capacity (hours) *(Note)*	3,952	4,592	4,624	1,376
Number of actual production time (hours)	2,741	3,251	3,618	1,185
Utilisation rate (%)	69.4	70.8	78.2	86.1

Note: The number of annual production capacity is calculated by assuming six workers per day per DIP assembly line multiplying the number of DIP assembly lines by the number of hours in a day and the number of days in a year that our DIP assembly lines are expected to operate under our production plan. The above calculation is based on the assumptions that DIP assembly lines operate eight hours a day, and 247 days, 287 days, 289 days and 86 days for each of the three years ended 31 December 2017 and the four months ended 30 April 2018, respectively.

OUR CUSTOMERS

During the Track Record Period, our customers mainly included local electronic product manufacturers, brand owners, OEMs and trading companies of various kinds of electronic products in the PRC, Mexico, United States and Hong Kong. The following table sets out a breakdown of our revenue by geographical locations of our customers during the Track Record Period:-

	For the year ended 31 December						For the four months ended 30 April			
	2015		2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*Unaudited*)	*%*	*RMB'000*	*%*
The PRC	145,676	79.6	219,183	81.8	333,650	90.1	121,827	90.7	155,069	85.6
Mexico	—	—	—	—	16,502	4.5	6,246	4.6	21,054	11.6
United States	6,340	3.5	37,488	14.0	6,828	1.8	4,658	3.4	2,040	1.1
Hong Kong	8,962	4.9	3,898	1.5	38	0.1	38	0.1	—	—
Others (*Note*)	21,947	12.0	7,321	2.7	13,144	3.5	1,582	1.2	3,011	1.7
Total	182,925	100.0	267,890	100.0	370,162	100.0	134,351	100.0	181,174	100.0

Note: Others mainly include South Korea, Spain, Austria and Taiwan, and each of such regions accounted for a nominal percentage of our total revenue ranging from approximately nil to 12.0%, nil to 2.7%, nil to 2.8% and nil to 1.0% for each of the three years ended 31 December 2017 and the four months ended 30 April 2018, respectively.

For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, our Group's sales to our top five customers accounted for approximately 75.3%, 76.4%, 80.3% and 86.9% of our total revenue in each of the respective periods. In the corresponding periods, sales to our largest customer accounted for approximately 27.0%, 41.1%, 44.9% and 61.3% of our total revenue. Our Directors believe that our Group's business model is sustainable despite such customer concentration due to the following factors:

(i) Our integrated and value-added services help strengthening our business relationship with our existing customers and bring in new customers; and

(ii) Our expansion to new industry(ies) where our PCBAs can be applied.

Owing to our experience in providing quality EMS to customers in the PRC, including our largest customers, we do not foresee any difficulty for us to look for other customers due to the following reasons:-

- Transferability of our skills to other customers;
- Difficulties faced by Customer B in engaging other EMS providers in the PRC in place of our Group;
- Our reputation, connection and proven track record in the EMS industry in the PRC;
- Our experience in serving sizeable customers like Customer B;
- Our continuous effort to offer integrated and value-added services, broaden our product portfolio and expand the application of our PCBs to tap into new market segments; and
- Our experienced and dedicated management team.

OUR SUPPLIERS

Our suppliers (including suppliers of raw materials and our fully-assembled tablets and certain mobile phones with their entire production being outsourced to Independent Third Party suppliers, subcontractors performing the full electronic product assembly and subcontractors performing PCB assembly in the SMT production process in March and April 2018 when our production capacity had been fully utilised (which include SMT mounting, reflow soldering and AOI inspection)) are mainly located in the PRC with a few in Hong Kong, South Korea and Taiwan. For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, our top five suppliers and subcontractors accounted for approximately 24.4%, 40.7%, 34.6% and 39.5% of our total cost of purchases and subcontracting fees and our largest supplier accounted for approximately 7.0%, 11.5%, 12.0% and 10.9% of our total cost of purchases and subcontracting fees, respectively.

ENTITIES WHO ARE OUR CUSTOMERS AND ALSO OUR SUPPLIERS

For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, one customer, two customers, six customers and four customers were also our suppliers, respectively and our sales to these customers amounted to approximately RMB2.4 million, RMB42.7 million, RMB62.8 million and RMB16.9 million, respectively, which accounted for approximately 1.3%, 15.9%, 17.0% and 9.3%, respectively, of our total revenue. During the same period, our costs of sales of these customers amounted to approximately RMB2.0 million, RMB35.5 million, RMB52.4 million and RMB14.1 million, respectively, which accounted for approximately 1.4%, 16.1%, 16.9% and 9.2%, respectively, of our total cost of sales. Gross profit for the sale to these customers for each of the three years ended 31 December 2017 and the four months ended 30 April 2018 was approximately RMB0.4 million, RMB7.1 million, RMB10.4 million and RMB2.8 million, respectively. The gross profit margin for the sales to these customers for each of the three years ended 31 December 2017 and the four months ended 30 April 2018 was 18.0%, 16.7%, 16.6% and 16.3%, respectively, where as our overall gross profit margin for the corresponding period was 18.9%, 17.7%, 16.3% and 15.4%, respectively.

These customers were our suppliers due to (i) there are circumstances where our customers are the only suppliers of certain necessary raw materials for production such as specific model of IC chips and specific model of coils and we could only order such raw materials from our customers; (ii) two of these customers had become our new customers only since 2017 and we were not able to identify a stable source of raw materials for them at the beginning of our business relationship with them; (iii) A customer required us to include specified IC chips in their new product models, which was only supplied by this customer; and (iv) A customer required us to purchase a specified type of raw material which has been approved by them. Please refer to the paragraph headed "Business — Entities who are our customers and also our suppliers" in this prospectus for further details.

HISTORY, DEVELOPMENT AND REORGANISATION

The history of our Group can be traced back to 2003 when Mr. Ma (chairman of our Board, our chief executive officer, executive Director and a Controlling Shareholder) founded Eternity Technology, together with his brother-in-law Mr. Cheng (our executive Director and a Controlling Shareholder). For details in relation to our Group's history and milestones, please refer to the paragraph headed "History, Development and Reorganisation — Our business development" in this prospectus.

Our Group consists of our Company and our subsidiaries including our principal subsidiary, Shenzhen Hengchang Sheng. In preparation for the Listing, the companies comprising our Group underwent the Reorganisation whereby our Company became the ultimate holding company of the Group. For details of our Group's Reorganisation, please refer to the paragraph headed "History, Development and Reorganisation — Reorganisation" in this prospectus.

PRE-IPO INVESTMENT

On 27 March 2017, the registered capital of Shenzhen Hengchang Sheng was increased from RMB12,000,000 to RMB12,631,579. The capital increase was contributed by the investment from In Good Investment, a company indirectly wholly-owned by the Pre-IPO Investor, in a sum of RMB919,195, of which RMB631,579 and RMB287,616 was used to increase the registered capital and capital reserve of Shenzhen Hengchang Sheng, respectively. The investment had been fully paid and settled on 27 April 2017. After completion of the capital increase, In Good Investment held 5% equity interest in Shenzhen Hengchang Sheng. Subsequently as part of the Reorganisation, the Pre-IPO Investor, through Elite Foster, held 5% of the issued share capital of our Company and the 5% equity interest in Shenzhen Hengchang Sheng held by In Good Investment was transferred to Agreeable at cash consideration of RMB919,195.

On 18 May 2017, Elite Foster subscribed for 40 Shares of our Company at cash consideration of HK$13,860,000, which was settled on the same day. After the aforesaid subscription of Shares, Elite Foster held 15% of the issued share capital of our Company. On 8 June 2017, our Company capitalised the full amount of the shareholder's loan of HK$1,140,000 granted by Elite Foster, for the purpose of satisfying our capital needs for acquisition of Shenzhen Hengchang Sheng and Eternity Technology as part of the Reorganisation, by allotment and issue of 15 Shares, credited as fully paid, to Elite Foster. After the aforesaid loan capitalisation, our Company remained owned as to 15% by Elite Foster. For details, please refer to the paragraph headed "History, Development and Reorganisation — Pre-IPO Investment" in this prospectus.

Immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), our Company will be owned as to 11.25% by Elite Foster.

Given that (i) no special rights have been granted to the Pre-IPO Investor; and (ii) the investment having been completed more than 28 clear days before the date of submission of the Listing application, the pre-IPO investment is in compliance with the "Interim Guidance on pre-IPO Investments" (HKEx-GL29-12) and the "Guidance on Pre-IPO Investments" (HKEx-GL43-12) issued by the Stock Exchange.

CONTROLLING SHAREHOLDERS

Immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), our Company will be owned as to 63.75% by Rich Blessing, which is owned as to 62.91%, 20.00%, 14.89% and 2.20% by Mr. Ma, Ms. Chen, Ms. Cheng Lihong and Mr. Cheng, respectively. Mr. Ma is the chairman of our Board, chief executive officer and executive Directors of our Company. Ms. Cheng Lihong is the spouse of Mr. Ma; and Mr. Cheng is the younger brother of Ms. Cheng Lihong and the brother-in-law of Mr. Ma. As Mr. Ma, Ms. Chen, Ms. Cheng Lihong and Mr. Cheng have decided to restrict their ability to exercise direct control over our Company by holding their interests through Rich Blessing and they have been and will continue to be parties acting in concert in respect of our Group, Mr. Ma, Ms. Chen, Ms. Cheng Lihong, Mr. Cheng and Rich Blessing are regarded as a group of Controlling Shareholders of our Company under the Listing Rules. If the parties cannot agree on the kind of voting rights to be exercised and how to exercise the voting rights on the relevant major issues, the parties unanimously agree to vote in accordance with the vote or direction of Mr. Ma. For further details, please refer to the section headed "Relationship with our Controlling Shareholders" in the prospectus.

KEY OPERATION AND FINANCIAL DATA

The following tables present a summary of key operational and financial data during the Track Record Period and should be read in conjunction with our financial information included in the Accountant's Report set forth in Appendix I to this prospectus, including the notes thereto.

	For the year ended 31 December			For the four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue	182,925	267,890	370,162	134,351	181,174
Cost of sales	(148,334)	(220,360)	(309,824)	(112,643)	(153,326)
Gross profit	34,591	47,530	60,338	21,708	27,848
Other income	93	694	828	—	1,626
Other (losses)/gains, net	(132)	(983)	1,223	81	265
Selling and distribution expenses	(3,673)	(6,687)	(9,534)	(2,747)	(3,853)
Administrative expenses	(10,327)	(12,795)	(18,404)	(7,719)	(8,667)
Operating profit	20,552	27,759	34,451	11,323	17,219
Finance income	24	32	99	16	22
Finance costs	(1,982)	(1,098)	(800)	(287)	(224)
Finance costs, net	(1,958)	(1,066)	(701)	(271)	(202)
Profit before income tax	18,594	26,693	33,750	11,052	17,017
Income tax expense	(4,602)	(4,612)	(5,239)	(2,281)	(3,083)
Profit for the year/period	13,992	22,081	28,511	8,771	13,934
Other comprehensive losses:					
Items that may be subsequently reclassified to profit or loss					
Currency translation differences	(125)	(10)	(250)	12	(272)
Total comprehensive income for the year/period	13,867	22,071	28,261	8,783	13,662

During the Track Record Period, our Group recorded a revenue of approximately RMB182.9 million, RMB267.9 million, RMB370.2 million and RMB181.2 million, respectively; and for the same period, our Group recorded a profit attributable to owners of the Company of approximately RMB14.0 million, RMB22.1 million, RMB28.5 million and RMB13.9 million, respectively.

Our revenue increased by 46.4% from approximately RMB182.9 million for the year ended 31 December 2015 to RMB267.9 million for the year ended 31 December 2016 due to the combined effect of (i) the increase of our revenue generated from PCBAs from RMB79.0 million to RMB91.9 million for the same period due to the increase in orders from customers engaged in banking and finance industry; and (ii) the increase of our revenue generated from fully-assembled electronic products from RMB103.9 million to RMB176.0 million due to the increase in order of the mPOS triggered by the trend towards cashless payments in the PRC.

Our revenue increased by 38.2% from approximately RMB267.9 million for the year ended 31 December 2016 to RMB370.2 million for the year ended 31 December 2017 due to the combined effect of (i) the increase in revenue generated from PCBAs from RMB91.9 million to RMB118.2 million for the same period due to the increase in orders from our customers engaged in banking and finance industry and the release of new products by our customers in the smart device industry that utilised our sweeping robot mainboards and inductors in the sweeping robot; and (ii) the increase of revenue from fully-assembled electronic products for the same period due to the continued increase in orders of the mPOS and the new sales order of tablets from a new overseas customer. Such increase was offset by the decrease in revenue from mobile phones resulting from the shift of our product mix towards certain products with better margins.

Our revenue increased by approximately 34.9% from approximately RMB134.4 million for the four months ended 30 April 2017 to approximately RMB181.2 million for the four months ended 30 April 2018 due to higher demand from Customer B for our mPOS during the four months ended 30 April 2018 in response to the increasing trend towards cashless payments in the PRC and the increasing sales orders of tablets from an overseas customer, Customer I.

Selected information extracted from consolidated balance sheets

		As at 31 December		**As at 30 April**
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets	122,324	153,058	166,098	292,028
Current liabilities	117,539	122,338	96,556	211,159
Net current assets	4,785	30,720	69,542	80,869
Net assets	23,200	45,271	86,359	100,021
Total assets	140,739	167,609	182,915	311,180

Selected information extracted from consolidated statements of cash flows

		For the year ended 31 December		**For the four months ended 30 April**
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net cash generated from/(used in) operating activities	37,067	21,513	29,173	(993)
Net cash (used in)/generated from investing activities	(14,537)	(9,645)	16,234	(3,579)
Net cash (used in)/generated from financing activities	(10,886)	(19,641)	(12,838)	3,001
Net increase/(decrease) in cash and cash equivalents	11,644	(7,773)	32,569	(1,571)
Cash and cash equivalents at beginning of the year/period	16,536	28,901	21,241	53,134
Currency translation differences	721	113	(676)	(380)
Cash and cash equivalents at end of the year/period	28,901	21,241	53,134	51,183

We recorded net operating cash outflow of approximately RMB1.0 million for the four months ended 30 April 2018 primarily due to the combined effect of income tax paid amounted to approximately RMB2.7 million and movements in working capital primarily due to (i) increase in trade and bills receivables of approximately RMB79.1 million mainly resulting from strong demand from Customer B in anticipation of strong market demands, which was mostly collected subsequent to the Track Record Period; (ii) increase in inventories of approximately RMB39.0 million resulting from preparation of raw materials and finished goods to meet the needs of increased sales volume subsequent to the Track Record Period; and (iii) increase in trade payables of approximately RMB94.5 million resulting from the increase in purchase during the four months ended 30 April 2018 to meet the needs of increased sales volume.

KEY FINANCIAL RATIOS

	As at 31 December			As at 30 April
	2015	2016	2017	2018
Current ratio(1)	1.0	1.3	1.7	1.4
Quick ratio(2)	0.9	1.1	1.4	1.0
Gearing ratio(3)	88.9%	27.2%	5.8%	13.5%
Net debt to equity ratio(4)	N/A	N/A	N/A	N/A
Return on asset ratio(5)	9.9%	13.2%	15.6%	N/A(8)
Return on equity ratio(6)	60.3%	48.8%	33.0%	N/A(8)
Interest coverage ratio(7)	10.4	25.3	43.1	76.9

Notes:

(1) Current ratio is calculated by dividing current assets by current liabilities as at the respective year/period-end date.

(2) Quick ratio is calculated by dividing current assets minus inventories by current liabilities as at the respective year/period-end date.

(3) Gearing ratio is calculated by dividing total debts (being the total interest-bearing loans including banks borrowings) by total equity as at the respective year/period-end date.

(4) Net debt to equity ratio is calculated by dividing net debts (being the total interest-bearing loans including banks borrowings less cash and cash equivalents and pledged bank deposits) by total equity as at the respective year/period-end date.

(5) Return on assets ratio is calculated by dividing profit for the year/period by the total assets as at the respective year/period-end date.

(6) Return on equity ratio is calculated by dividing profit for the year/period by the total equity as at the respective year/period-end date.

(7) Interest coverage ratio is calculated by dividing profit before interest and tax by the finance expenses for the corresponding year/period.

(8) Such ratio is not applicable as it is not comparable to annual numbers.

DIVIDEND

Our Group did not declare any dividend for each of the three years ended 31 December 2017 and the four months ended 30 April 2018. We do not have any predetermined dividend payout ratio. The recommendation of the payment of dividend is subject to the discretion of our Board, and after the Listing, any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Directors may recommend a payment of dividend in the future after taking into account of our then prevailing operations, earnings, financial condition and other factors as it may deemed relevant. The declaration, payment and amount of any future dividend will be subject to our constitutional documents comprising the Memorandum and Articles of Association and the Companies Laws including, where necessary, the approval of our Shareholders. Investors should note that historical dividend distribution are not indicative of our future dividend distribution policy.

FUTURE PLANS AND PROPOSED USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Share Offer to be received by us, after deducting underwriting commissions and estimated expenses paid and payable by our Company in connection thereto, to be approximately HK$103.8 million and the Offer Price of HK$1.85 per Share, being the mid-point of the proposed Share Offer Price range of HK$1.70 to HK$2.00 per Share. We currently intend to apply the net proceeds in the following manner:

Approximate amount of net proceeds/utilised	Intended applications
Approximately HK$69.4 million, or approximately 66.9%	Expand our production capacity and enhance our production efficiency
Approximately HK$18.7 million, or approximately 18.0%	Lease the New Premises to align with our production capacity expansion, convert our existing warehouse into an intelligent warehouse and set up an additional intelligent warehouse
Approximately HK$4.9 million, or approximately 4.7%	Further strengthen our research and development capabilities
Approximately HK$3.6 million, or approximately 3.5%	Upgrade our ERP system and enhance our capabilities in information technology
Approximately HK$7.2 million, or approximately 6.9%	General working capital of our Group

For the period from the Listing Date to 30 June 2021, our net proceeds from the Share Offer will be used as follows:

	From the Listing Date to 31 December 2018	From 1 January 2019 to 30 June 2019	From 1 July 2019 to 31 December 2019	From 1 January 2020 to 30 June 2020	From 1 July 2020 to 31 December 2020	From 1 January 2021 to 30 June 2021	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Expand our production capacity and enhance our production efficiency	12,583.1	27,683.8	23,923.1	4,254.9	480.0	480.0	69,404.9
Lease the New Premises to align with our production capacity expansion, convert our existing warehouse to be intelligent warehouse and set up an additional intelligent warehouse	3,767.0	5,041.6	7,427.3	831.8	831.8	831.8	18,731.3
Further strengthen our research and development capabilities	282.4	621.2	677.6	1,101.2	1,101.2	1,101.2	4,884.8
Upgrade our ERP system and enhance our capabilities in information technology	197.6	741.1	1,044.7	889.4	360.0	360.0	3,592.8
General working capital	1,136.2	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	7,136.2
							103,750.0

For further details on our future plans and use of proceeds, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

Please also refer to the section headed "Future plan and use of proceeds — Reasons for the Listing" in this prospectus for detailed reasons for the Listing.

LITIGATION AND LEGAL COMPLIANCE

During the Track Record Period, there was a civil litigation in relation to a fatal traffic accident happened in August 2017 involving a vehicle of Shenzhen Hengchang Sheng commenced in the Shenzhen Longgang District People's Court* (深圳市龍崗區人民法院) in November 2017, in which the plaintiffs therein claimed against Shenzhen Hengchang Sheng as one of the defendants for a sum of approximately RMB762,420 with litigation costs. According to the judgement issued by the Shenzhen Longgong District People's Court on 22 March 2018, Shenzhen Hengchang Sheng was not required to bear any responsibility for compensation in such case. As advised by our PRC legal advisers, the judgement is valid and effective. For details, please refer to the paragraph headed "Business — Litigations" of this prospectus.

In addition, during the Track Record Period, we had certain non-compliance incidents involving breaches of Interim Provisions on Labour Dispatch* (勞務派遣暫行規定), the Administration of Housing Provident Fund* (住房公積金管理條例) and Social Insurance Law of the PRC* (中華人民共和國社會保險法) and other relevant regulations. For details, please refer to the paragraph headed "Business — Legal and compliance" of this prospectus.

RISK FACTORS

There are a number of risks involved in our business and operations. They can be classified into (i) risks relating to our business; (ii) risks relating to conducting business in the PRC; (iii) risks relating to the Share Offer; and (iv) risks relating to statements in this prospectus, and we believe that our major risk include (i) our Group had a concentration of customers during the Track Record Period and any decrease or loss of business from these major customers could adversely and substantially affect our operations and financial conditions; (ii) fluctuation in price of raw materials may affect our cost of sales and adversely affect our business operations and profitability; (iii) delay in delivery of raw materials or defect in the raw materials supplied to us may materially and adversely affect our business operations; and (iv) our quality control system may not be as effective as we expected and this would result in our failure to conform with both international and domestic quality standards in relation to our products.

OFFERING STATISTICS

	Based on minimum indicative Offer Price of HK$1.70	Based on maximum indicative Offer Price of HK$2.00
Market capitalization of the Shares *(Note 1)*	HK$510,000,000	HK$600,000,000
Unaudited pro forma adjusted net tangible asset value per Share *(Note 2)*	HK$0.736	HK$0.772

Notes:

(1) The calculation of market capitalisation is based on the 300,000,000 Shares expected to be in issue at the Offer Price immediately upon completion of the Capitalisation Issue and the Share Offer.

(2) Please see "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for details regarding the assumptions and calculation basis used.

LISTING EXPENSES

Our estimated expenses in relation to the Listing, including underwriting commissions, are approximately RMB29.8 million, of which, approximately RMB10.5 million is directly attributable to the issue of Shares to the public and will be accounted for as a deduction from equity upon completion of the Share Offer. The remaining estimated Listing expenses of approximately RMB19.3 million, was or will be charged to profit or loss, of which approximately RMB9.9 million had been recorded in the consolidated income statement and consolidated statement of comprehensive income during the Track Record Period, and approximately RMB9.4 million is expected to be charged to profit or loss for the year ending 31 December 2018. This calculation is based on the Offer Price of HK$1.85 per Share (being the mid-point of the Offer Price range stated in this prospectus) and the assumption that 75,000,000 Shares are to be offered under the Share Offer and is subject to the adjustment based on the actual amount incurred or be incurred.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to specialise in providing PCB assembly services and full product assembly services to our customers on an EMS basis. Furthermore, we have received various purchase orders subsequent to the Track Record Period and up to the Latest Practicable Date which in aggregate required us to produce approximately 4.8 million units of products (inclusive of the purchase orders from Customer B for approximately 0.2 million units of UnionPay card acceptance terminal products). Out of such 4.8 million units of products, we had completed the production of approximately 3.9 million units up to the Latest Practicable Date (inclusive of 0.1 million units of UnionPay card acceptance terminal products for Customer B). In addition, a cooperation agreement in relation to the provision of PCB assembly services and full product assembly services for smart devices was entered into between our Group and a new customer in the PRC subsequent to the Track Record Period and up to the Latest Practicable Date.

Furthermore, we continued to explore more business opportunities for our EMS in other industries. For example, we received an order from a new customer in South Korea for providing EMS for vibration chairs in January 2018. The production of these vibration chairs commenced in the second quarter of 2018. In addition, we will deploy more resources on the research and development of smart audio and video solution and mini home appliance solution, and will commence the relevant research and development works in the second quarter of 2018.

The U.S. Government proposes to impose tariffs on certain products of the PRC and the proposed list of products that would be subject to tariffs includes aerospace, information and communication technology, robotics and machinery, etc. Based on the proposed list of products published by the Office of the U.S. Trade Representative on 4 April 2018 and 20 June 2018, it is noted that mobile phones and global locators (i.e. the only products sold by us to our customers in U.S. during the Track Record Period) are not on the proposed list. Nevertheless, our Directors consider that even if any of our Group's products, will be subject to the tariffs to be imposed by the U.S. Government, it will not have any material impact on our Group's operations as (i) the revenue recorded by our Group during the Track Record Period was mainly contributed by the sales to customers in the PRC, and after the Track Record Period and up to the Latest Practicable Date, our revenue derived from U.S. customers was approximately RMB0.3 million; and (ii) as advised by our U.S. Legal Advisers, our Group's products are exported to our customers in the U.S. through shipment on a FOB basis or Free Carrier Hong Kong basis and thus, our Group does not directly import any products into the U.S. and the U.S. tariff regulations would not apply directly to our Group.

Save as disclosed in the paragraph headed "Listing Expenses" in this section, our Directors confirmed that since 30 April 2018 and up to the date of this prospectus, there was no material adverse change in the trading and financial position or prospect of our Group and no event had occurred that would materially and adversely affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

Despite the absence of any material adverse change in our business since the end of the Track Record Period, we expect that our profit for 2018 will be lower than that for 2017 primarily due to higher administrative expenses as a result of the fees to be incurred as a consequence of listing on the Stock Exchange, such as those set out in the paragraph headed "Listing Expenses" in this section.

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus. Certain other terms are explained in the section headed "Glossary of Technical Terms"

"Accountant's Report"	the report of our reporting accountant, the text of which is set out in Appendix I to this prospectus
"Acting in Concert Confirmation"	the confirmation dated 28 February 2018 executed by our Controlling Shareholders (other than Rich Blessing) whereby they confirmed their acting in concert arrangements as further detailed in the section headed "Relationship with our Controlling Shareholders — Our Controlling Shareholders" in this prospectus
"Agreeable"	Agreeable Company Limited (致同有限公司), a company incorporated in Hong Kong with limited liability on 30 March 2017 and an indirect wholly-owned subsidiary of our Company
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or where the context to requires, any of them that are used in connection with the Public Offer
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on 25 July 2018, which will become effective upon the Listing Date, a summary of which is set out in Appendix III to this prospectus, and as amended, supplemented or modified from time to time
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors
"Business Day" or "business day"	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the allotment and issue of 224,999,520 Shares upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed "A. Further information about our Group — 3. Resolutions in writing of our Shareholders passed on 25 July 2018" in Appendix IV to this prospectus

"Cayman Companies Law" or "Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"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
"Central government", "Chinese government" or "PRC government"	the central government of PRC, including all government subdivisions (including provincial, municipal or other regional or local government entities) and instrumentalities
"China" or "PRC"	the People's Republic of China, but for the purpose of this prospectus only and except where the context requires otherwise, references in this prospectus to "China" or "PRC" do not include Hong Kong, Macau and Taiwan
"ChiNext Board"	the growth enterprise board launched by the Shenzhen Stock Exchange
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	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"	Eternity Technology Holdings Limited (恒達科技控股有限公司), a company incorporated in the Cayman Islands with limited liability on 15 March 2017
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus, means Mr. Ma, Ms. Chen, Ms. Cheng Lihong (程莉紅), Mr. Cheng and Rich Blessing
"Dakin Capital" or "Sole Sponsor"	Dakin Capital Limited, a licensed corporation under the SFO permitted to carry out Type 6 (advising on corporate finance) regulated activity (as defined under the SFO), being the sole sponsor to our Company for the Listing
"Deed of Indemnity"	the deed of indemnity dated 25 July 2018 entered into by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries), particulars of which are set out in the paragraph headed "D. Other information — 2. Tax and other indemnities" in Appendix IV to this prospectus
"Deed of Non-Competition"	the deed of non-competition dated 25 July 2018 entered into by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries), particulars of which are set out in the paragraph headed "Relationship with our Controlling Shareholders — Non-Competition Undertakings" in this prospectus
"Director(s)"	the director(s) of our Company
"EIT"	the enterprise income tax of the PRC (中華人民共和國企業所得稅)
"Elite Foster"	Elite Foster International Investment Limited (卓培國際投資有限公司), a company incorporated in the BVI with limited liability on 3 December 2015 and wholly-owned by the Pre-IPO Investor
"Eternity Technology"	Eternity Technology Development Limited (恒昌科技發展有限公司), a company incorporated in Hong Kong on 2 January 2003 with limited liability and an indirect wholly-owned subsidiary of our Company
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a market research and consulting company, and an Independent Third Party
"Frost & Sullivan Report"	a market research report on the China and global EMS market commissioned by us and prepared by Frost & Sullivan
"**GREEN** Application Form(s)"	the application form(s) to be completed by **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited

"Group", "our Group", "we", "our" and "us"	our Company and our subsidiaries 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
"HKAS"	the Hong Kong Accounting Standards
"HKFRS"	the Hong Kong Financial Reporting Standards issued by HKICPA
"HKICPA"	the Hong Kong Institute of Certified Public Accountants
"HKSCC"	the Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	the HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders of our Company, its subsidiaries or their respective associates
"INED(s)"	independent non-executive director(s) or, in the context of our Company, our independent non-executive Director(s)
"In Good Investment"	In Good Investment Limited (長進投資有限公司), a company incorporated in Hong Kong with limited liability on 8 February 2017 and wholly-owned by Elite Foster
"Internal Control Consultant"	CT Partners Consultants Limited
"Joint Lead Managers"	Supreme China Securities Limited, Dakin Securities Limited, Koala Securities Limited and Yellow River Securities Limited
"Latest Practicable Date"	25 July 2018, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus

"Listing"	listing of the Shares on Main Board
"Listing Committee"	the listing sub-committee of the directors of the Stock Exchange
"Listing Date"	the date on which the Shares are listed and from which dealings in Shares on the Main Board commences, which is expected to be on or about 16 August 2018
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended supplemented or otherwise modified from time to time)
"Main Board"	the Main Board operated by the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company, conditionally adopted on 25 July 2018 which will become effective upon the Listing Date, a summary of which is set out in Appendix III to this prospectus, as amended, supplemented or modified from time to time
"Mr. Cheng"	Mr. Cheng Bin (程彬), one of our executive Directors and Controlling Shareholders, and the younger brother of Ms. Cheng Lihong (one of our Controlling Shareholders) and the brother-in-law of Mr. Ma
"Mr. Ma"	Mr. Ma Fujun (馬富軍), the chairman of our Board, our chief executive officer, one of our executive Directors and Controlling Shareholders, and the spouse of Ms. Cheng Lihong (one of our Controlling Shareholders) and the brother-in-law of Mr. Cheng
"Ms. Chen"	Ms. Chen Xiaoyuan (陳筱媛), one of our executive Directors and Controlling Shareholders
"New Premises"	the premises of approximately 6,700 sq.m. situated at the Yingzhan Industrial Park which is near our Shenzhen Production Plant
"Nomination Committee"	the nomination committee of the Board
"Offer Price"	the final price per Offer Share in Hong Kong dollar (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK$2.00 and not less than HK$1.70 at which the Offer Shares are to be subscribed for and issued pursuant to the Share Offer, to be determined as described under the paragraph headed "Structure and Conditions of the Share Offer — Offer Price — Determination of the Offer Price" in this prospectus

"Offer Share(s)"	collectively, the Placing Shares and the Public Offer Shares
"Placing"	conditional placing by the Company of 67,500,000 Shares for cash at the Offer Price in accordance with and subject to the terms and conditions specified in this prospectus, details of which are set out in the section headed "Structure and Conditions of the Share Offer" of this prospectus
"Placing Share(s)"	the 67,500,000 Shares (subject to reallocation) being offered at the Offer Price for subscription pursuant to the Placing
"Placing Underwriter(s)"	the underwriter(s) of the Placing that is/are expected to enter into the Placing Underwriting Agreement
"Placing Underwriting Agreement"	the conditional underwriting agreement relating to the Placing to be entered into by, among others, our Company and the Placing Underwriter(s), particular of which are set out in the section "Underwriting" in this prospectus
"PRC Legal Advisers"	Tian Yuan Law Firm (天元律師事務所), our Group's legal adviser as to PRC laws
"Pre-IPO Investor"	Mr. Lu Wan Ching (呂萬慶), whose background is set out in the paragraph headed "History, Development and Reorganisation — Pre-IPO Investment — Background of the Pre-IPO Investor" in this prospectus
"Price Determination Agreement"	the agreement to be entered into between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on or before the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about Thursday, 9 August 2018 on which the Offer Price will be fixed for the purposes of the Share Offer
"Public Offer"	the issue and offer of the Public Offer Shares for subscription in Hong Kong at the Offer Price and subject to the terms and conditions described in this prospectus and the Application Form
"Public Offer Shares"	the 7,500,000 Shares (subject to reallocation) initially offered by our Company for subscription in the Public Offer, as described under the section headed "Structure and Conditions of the Share Offer" in this prospectus

"Public Offer Underwriters"	the underwriters of the Public Offer, whose names are set out in the paragraph headed "Underwriting — Underwriters — Public Offer Underwriters and Placing Underwriters" in this prospectus
"Public Offer Underwriting Agreement"	the conditional underwriting agreement dated 2 August 2018 relating to the Public Offer entered into by, among others, our Company and the Public Offer Underwriters, particulars of which are set out in the section "Underwriting" in this prospectus
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Reorganisation"	the reorganisation arrangements undertaken by our Group in preparation for the Listing, which are described in detail in the section headed "History, Development and Reorganisation" to this prospectus
"Rich Blessing"	Rich Blessing Group Limited, one of our Controlling Shareholders and a company incorporated in the BVI on 13 February 2017 with limited liability, which is owned as to 62.91% by Mr. Ma, 20.00% by Ms. Chen, 14.89% by Ms. Cheng Lihong and 2.20% by Mr. Cheng
"RMB"	Renminbi, the lawful currency of the PRC
"SAIC"	State Administration for Industry & Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with a nominal value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of Shares
"Share Offer"	the Public Offer and Placing

"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 25 July 2018, the principal terms of which are summarised under the paragraph headed "D. Other Information — 1. Share Option Scheme" in Appendix IV to this prospectus
"Shenzhen Hengchang Sheng"	Shenzhen Hengchang Sheng Technology Company Limited* (深圳市恒昌盛科技有限公司), an enterprise established under the laws of the PRC with limited liability on 9 May 2005 and an indirect wholly-owned subsidiary of our Company
"Shenzhen Production Plant"	our production plant and warehouses located on Units 101, 201 and 401, Block A2, Yingzhan Electronic Park Area Factory, Longtian Road Office, Pingshan District, Shenzhen and 3th Floor, Block A1, Yingzhan Industrial Park, Longtian Community, Kengzi Road, Pingshan New District, Shenzhen
"Sole Bookrunner"	Supreme China Securities Limited, a licensed corporation under the SFO to carry on Type 1 (dealing in securities) regulated activity (as defined under the SFO)
"sq.m."	square metre
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules, unless the context otherwise requires
"Substantial Shareholder(s)"	has the meaning ascribed to it in the Listing Rules and details of our Substantial Shareholders are set out in the section headed "Substantial Shareholders" in this prospectus
"Takeovers Code"	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
"Total United"	Total United Holdings Limited (全協控股有限公司), a company incorporated in the BVI with limited liability on 1 December 2016 and a wholly-owned subsidiary of our Company
"Track Record Period"	the three financial years ended 31 December 2017 and the four months ended 30 April 2018
"Underwriters"	the Placing Underwriter(s) and the Public Offer Underwriter(s)

"Underwriting Agreements"	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
"United States" or "U.S."	the United States of America
"US$" or "US dollars"	United States dollars, the lawful currency of the United States
"U.S. Legal Advisers"	CKR Law LLP, our Group's legal adviser as to U.S. laws
"VAT"	value-added tax of the PRC (中華人民共和國增值稅)
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant's or applicants' our name(s)
"**White Form eIPO**"	the application for issue of Public Offer Shares in the applicant's own name by submitting applications online through the designated website at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"**YELLOW** Application From(s)"	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
"%"	per cent.

Unless otherwise specified, for the purpose of this prospectus and for illustration purposes only, amounts denominated in Hong Kong dollars have been converted to RMB at the rate of RMB0.85:HK$1.00, and vice versa. For details, please refer to the section headed "Information about this Prospectus and the Share Offer — Exchange Rate Conversion" in the prospectus. Our Company does not make any representation that any amounts in RMB or Hong Kong dollars had been or may be converted at the date of this prospectus or any other date at such rate or any other rate.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless otherwise specified, all times refer to Hong Kong time and references to years in this prospectus are to calendar years.

The English translation of company names in Chinese or another language which are marked with "" and the Chinese translation of company name in English which are marked with "*" are for identification purposes only. Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions, PRC-incorporated companies or other entities or any descriptions for which no English translation exists are unofficial translations for identification purposes only.*

"AC"	acronym for alternating current, which periodically reverses direction
"AOI"	automated optical inspection
"ATM(s)"	automated teller machine(s)
"BGA"	ball grid array
"Bluetooth"	A short range radio technology for internet and mobile devices, aimed at simplifying communications among them
"CAGR"	compound annual growth rate, a method of assessing the average growth of a value over a certain time period
"CCC"	acronym for China Compulsory Certification(s), which is a mandatory product certification system for certain domestically manufactured and imported products in the PRC
"DC"	acronym for direct current, which flows only in one direction
"DIP"	acronym for Dual inline packaging, an electronic component package with a rectangular housing and two parallel rows of electrical connecting pins. This package may be through-hole mounted to a printed circuit board or inserted in a socket
"EMS"	acronym for electronics manufacturing services. EMS companies' product offering is focused on PCBA and complete unit assembly and tests, product design support services, and possibly after market support and supply chain services. EMS is now generally used to substitute ODM and OEM
"FCA"	"Free Carrier" term of trade whereby the right of ownership is transferred to the buyer at a specified point or place, as defined by contract
"FCC"	The FCC Declaration of Conformity, a certification marking for electronic products that the electromagnetic interference from the products is under limits approved by the Federal Communications Commission in the United States
"FOB"	acronym for free on board, which means that the seller pays for transportation of the goods to the port of shipment as well as loading costs; the buyer pays cost of marine freight transport, insurance, unloading and transportation from the arrival port to the final destination; and the passing of risks occurs when the goods are loaded on board at the port of shipment

"GDP"	gross domestic product
"GNSS"	global navigation satellite system
"GPS"	Global Positioning System which is a US space-based global navigation satellite system
"IC"	integrated circuit
"IEEE"	Institute of Electrical and Electronic Engineers
"IOT"	acronym for internet of things, which is the inter-networking of physical devices, smart devices, and other items embedded with electronics, software, sensors, and network connectivity which enable these objects to collect and exchange data
"ISO"	International Organisation for Standardisation, a non-governmental organisation that develops and publishes international standards
"ISO 14001"	one of the guidelines of ISO which is applicable to any organisation that wishes to establish, implement, maintain and improve an environmental management system
"ISO 9001"	one of the management standards and guidelines of ISO which states the requirement for quality management systems and covers the following management principles — customer focus, leadership, involvement of people, process approach, system approach management, continual improvement, factual approach to decision making and mutually beneficial supplier relationship
"LCD"	liquid crystal display
"LED"	light-emitting diode
"mPOS"	acronym for mobile point-of-sale
"ODM"	acronym for original design manufacturing, the suppliers design and manufacture a product which is specified by the buyers and eventually sold under the brand name of the buyers or under no specific brand
"OEM"	acronym for original equipment manufacturing, the suppliers only focus on the manufacturing work, while the buyers are responsible for the product design and specification

"OQC"	outgoing quality control
"PCB(s)"	acronym for printed circuit board, a flat board made of non-conductive material, such as plastic or fibreglass, on which chips and other electronic components are mounted, usually in predrilled holes designed to hold them. The component holes are connected electrically by predefined conductive metal pathways that are printed on the surface of the board. The metal leads protruding from the electronic components are soldered to the conductive metal pathways to form a connection
"PCBA"	printed circuit board assembly
"Power Supply"	the power supply provides a voltage source to the electronic product. A power supply might consist of a halfwave, fullwave, or bridge rectifier circuit receiving voltage from a power transformer or power line
"RFID"	radio-frequency identification
"smart device"	an electronic device, generally connected to other devices or networks via different wireless protocols such as bluetooth, Wi-Fi, 3G, etc., that can operate to some extent interactively and autonomously
"SMT"	acronym for surface mount technology, a process by which electronic components are mounted directly on both sides of a PCB, increasing board capacity, facilitating product miniaturisation and enabling advanced automation of production
"turnkey basis"	in EMS, means the material procurement and manufacturing of a product are done by the service provider
"vertically integrated EMS solution"	a full range of electronic manufacturing services solution provided by us to our customers across various vertical successive stages of the supply chain of our products from design enhancement and verification, technical advice and engineering solutions, raw materials selection and procurement, assembling and production, quality control, logistic and delivery to after-sale services. For details, please refer to the paragraph head "Business — Our Business Model — Our EMS business" in this prospectus.

"Wave soldering"	a small-scale soldering process by which electronic components are soldered to a PCB to form an electronic assembly. The solder wets to the exposed metallic areas of the board (those not protected with solder mask), creating a reliable mechanical and electrical connection
"Wi-Fi"	a wireless local area network certified by the Wi-Fi Alliance for wireless local area network products based on the IEEE 802.11 standards
"3G"	International Mobile Telecommunication 2000, which is a family of the standards for mobile telecommunications defined by the International Telecommunication Union

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risks described in the section headed "Risk Factors" in this prospectus. These forward-looking statements include, without limitation, words and expressions such as "aim", "expect", "believe", "plan", "intend", "estimate", "project", "seek", "anticipate", "going forward", "ought to", "may", "will", "should", "would" and "could" or similar expressions, words or statements or the negative thereof, in particular, in the sections headed "Business" and "Financial Information" in this prospectus in relation to future events, including our strategies, plans, objectives, goals, targets, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets, as well as the national and global economy.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to known and unknown risks, uncertainties, assumptions and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Important factors that could materially affect our actual results, performance or achievements include the risk factors described in the section headed "Risk Factors" and elsewhere in this prospectus, and the following:

- any changes in the laws, rules and regulations of the central and local governments in the PRC and the rules, regulations, and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;

- our ability to successfully implement our business plans and strategies;

- future developments, trends and conditions in the industry and markets in which we operate;

- our business prospects;

- our capital expenditure plans;

- the actions and developments of our competitors;

- our dividend payment, if any;

- general political and economic conditions in PRC, or any countries or territories that may affect the industries in which we operate;

- changes or volatility in interest rates, foreign exchange rates or other rates or prices, including those pertaining to the PRC and the industry and markets in which we operate; and

- other factors beyond our Group's control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of, or references to, our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to our Company. Potential investors should pay particular attention to the fact that our Company is incorporated in the Cayman Islands, and that our Group's business is mainly located in China. The occurrence of any of the following events may have a material adverse effect on the business, results of operations, financial conditions and prospects of our Group. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our Group had a concentration of customers during the Track Record Period and any decrease or loss of business from these major customers could adversely and substantially affect our operations and financial conditions.

For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, our five largest customers accounted for approximately 75.3%, 76.4%, 80.3% and 86.9% of our total revenue, respectively. These major customers may continue to account for similar or even higher proportion of our revenue in the future. In particular, Customer B, being our second largest customer for the year ended 31 December 2015 and our largest customer for each of the two years ended 31 December 2017 and the four months ended 30 April 2018, accounted for approximately 17.0%, 41.1%, 44.9% and 61.3% of our total revenue for each of the three years ended 31 December 2017 and the four months ended 30 April 2018, respectively. Such significant increase in revenue from Customer B was due to the increase in Customer B's purchase orders of our mPOS arising from the trend for mobile payment demand and the need for transaction security and personal information protection in the PRC. We expect to continue to derive a significant amount of revenue from Customer B in the near future given our stable and sustainable business relationship with Customer B and the difficulties faced by Customer B in engaging other EMS providers in the PRC in place of our Group. Please refer to the paragraph headed "Business — Relationship with Customer B" in this prospectus for further details.

In light of the above, we face the risks associated with having customer concentration in the future. There is no assurance that any of our major customers, particularly, Customer B will continue to engage us as they do currently or the revenue generated from dealings with them can be maintained or increased in the future. If there is a reduction or cessation of purchase orders from these major customers for whatever reasons and we are unable to obtain purchase orders of a comparable size and terms in substitution or our plan to diversify or expand our customer base does not succeed or the demand for our mPOS from Customer B reduces substantially, our business, financial conditions, results of operation and gross profit may be materially and adversely affected.

Fluctuations in the price of raw materials may affect our cost of sales and adversely affect our business operations and profitability.

Our EMS business, to a large extent, depends on a reliable and stable supply of a wide variety of key production materials and supplies from our suppliers including (i) electronic components and ancillary materials (including PCBs, semiconductors, ICs, magnetic heads and other consumables) and (ii) casing (plastic and metal parts), packaging materials, LCD screens and consumables. For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, the cost of raw materials used amounted to approximately RMB73.8 million, RMB166.0 million, RMB239.4 million and RMB128.0 million, respectively, representing approximately 49.7%, 75.4%, 77.3% and 83.5% of our total cost of sales respectively. Furthermore, there were getting more customers who requested us to select and provide raw materials for them in the course of our PCB assembly services and full electronic product assembly services at a fixed price and we are generally responsible for all the cost, we have to bear the risk of cost fluctuations and may not be able to shift such risk to our customer. Hence, any increase in the price of the raw materials will directly affect our profitability if we fail to accurately estimate the cost of the raw materials to fulfil the purchase orders when we fixed the price with our customers. Please refer to the paragraph headed "Financial Information — Key factors affecting our results of operations and financial condition — Production costs" in this prospectus for the sensitivity analysis of the impact of hypothetical fluctuations in the cost of raw materials.

Since we do not enter into long-term procurement agreement with our suppliers, there is no assurance that our suppliers will not significantly increase the prices of raw materials in the future, in particular when the market prices of or the market demand for such raw materials increase. There is also no assurance that we will be able to pass the increase in the costs of raw material to our customers in a timely manner or at all to avoid adverse impacts on our profitability.

Delay in the delivery of raw materials or defect in the raw materials supplied to us may materially and adversely affect our business operations.

The supply of raw materials is subject to a variety of factors that are beyond our control, including interruptions in the supplier's business operations, market supply and demand of the raw materials, industry conditions and overall economic condition; whereas the quality of raw materials is dependent on the supplier's production capabilities, production facilities and the effectiveness of its quality control system.

Our ability to complete a customer's purchase order on time is therefore dependent on the timely delivery and the quality of raw materials. There is no assurance that our suppliers will be able to supply and deliver the required raw materials to us in a timely manner or that the raw materials will not be defective or sub-standard. Any delay in the delivery of raw materials or any defect in the raw materials supplied to us may materially and adversely affect or delay our production schedule and, if we cannot secure raw materials of similar quality and at reasonable prices from alternative suppliers in a timely manner or at all, we may not be able to deliver our products to our customers on time. In such circumstances, we may lose customer loyalty and confidence on our services and products. This may also harm our reputation and our results of operations and financial condition may be materially and adversely affected.

Our quality control system may not be as effective as we expect, which may lead to our failure to conform with both international and domestic quality standards in relation to our products and give rise to product returns and replacement.

The quality of our products depends significantly on the effectiveness of our quality control systems, which in turn, rely on a number of factors, including the design of our quality control systems, the quality control training programmes organised by us for our employees, and our employees' awareness in adhering to our quality control policies and guidelines from time to time. Any significant failure or deterioration of our Group's quality control systems could result in the production of defective or substandard products, delay in delivery of our products, replacement of defective or substandard products, product returns and damage to our reputation.

As a EMS provider, if our PCBAs or fully-assembled electronic products do not meet the specifications and requirements agreed with or requested by our customers, or if any of our products are defective, or result in our customers suffering losses as a result of product liability claims, we may be subject to demands for product return, product liability claims and litigations, claims for indemnity by our customers and other claims for compensation. Any reimbursement of a substantial amount of repair cost or any large-scale product return or replacement will not only damage our reputation in the industry and erode our customers' confidence in the quality of our products, but will also materially and adversely affect our financial condition and results of operations. We may also incur significant legal costs regardless of the outcome of any claim of alleged defect. Product failure or defects, and any complaints or negative publicity resulting therefrom, could result in decreased sales of our products, or claims or litigation against us regarding the quality of our products. As a result, it would have a material adverse effect on our business, reputation, financial conditions and results of operations.

Our operations may be subject to transfer pricing adjustments by competent authorities.

During the Track Record Period, we provide EMS for mobile phones and other telecommunication devices through Shenzhen Hengchang Sheng to a few overseas customers under their brands or the relevant brand owners. Upon receipt of purchase orders from our overseas customers, Eternity Technology would place corresponding purchase orders to Shenzhen Hengchang Sheng. The intra-group transactions involving the sales of our finished products by Shenzhen Hengchang Sheng to Eternity Technology were on normal commercial terms with selling prices being determined based on the prevailing market prices of such finished products. During the Track Record Period, Shenzhen Hengchang Sheng and Eternity Technology had not received a demand or challenge by PRC or Hong Kong tax authority for additional tax payment arising from our transfer pricing arrangement.

There is no assurance that the relevant tax authorities would not subsequently challenge the appropriateness of our Group's transfer pricing arrangement or that the relevant regulations or standards governing such arrangement will not be subject to future changes. If the relevant tax authorities later find that the transfer prices and the terms that our Group has applied are not appropriate, such authorities may require our Group to re-assess the transfer prices and re-allocate the income or adjust the taxable income. Any such reallocation or adjustment could result in a higher tax liability for our Group and may adversely affect the business, financial condition and results of operation of our Group.

Unexpected disruptions to our production facilities or production process may materially and adversely affect our business operations.

Our business operations are heavily dependent on the smooth operations of our Shenzhen Production Plant, where all our production machinery and equipment are situated. These production machinery and equipment are subject to operating risks, such as equipment failures, disruptions in power supply, industrial accidents, labour shortage, strike, fire or natural disasters. If any unanticipated or prolonged interruption of our operations at our Shenzhen Production Plant happens due to any of the aforesaid risks, we may not be able to deliver our products to our customers in a timely manner or at all. As a result, our relationship with our customers could be adversely affected due to our failure and we may also be subject to contractual claims for compensation from our customers, which may materially and adversely affect our business, financial conditions and results of operations.

Any slowdown of the industry where our PCBA may materially and adversely affect our results of operations, financial condition and business prospects.

As an EMS provider specialising in offering customised PCB assembly services and full electronic product assembly services; and production of PCBAs and full electronic assembled products, our business performance depends, to a large extent, on the performance and condition of the industrial electronics industry and the relevant industries to which our PCBAs or fully-assembled products apply for instance, banking and finance, telecommunication and smart devices industries.

These industries may experience slowdown or downturn due to market or industry conditions, global economic environment or other factors beyond our control. Any decrease in the demand for electronics products or equipment such as banking and finance related devices, telecommunication devices and smart devices may reduce the demand for our customised PCB assembly services and full electronic product assembly services through our vertically integrated EMS solution platform. In such circumstances, our sales may decline and our results of operations, financial condition and business prospects may be materially and adversely affected.

Intense competition in the industry may affect our pricing, which may materially and adversely affect our results of operations and business prospects.

The EMS industry is competitive. According to the Frost & Sullivan Report, the growing popularity of the products from other cost-competitive countries such as Vietnam, Malaysia, India, Indonesia, Singapore and Mexico have diminished the PRC's participation, as these countries have benefited from a skilled labour pool and the labour wages in these regions are rising more slowly compared to the PRC. Competition among participants of the EMS industry may have a negative impact on our pricing, thereby affecting our business performance and profitability. Should our existing or new competitors offer PCBAs or fully-assembled electronic products or EMS similar to ours at a lower cost or engage in aggressive pricing strategy in order to increase or gain market share, our sales may decline if we are not able to match their lower cost or price. Any of the above may have a material adverse effect on our results of operations, financial condition and business prospects.

Risk of shortage of labour or increase in our labour costs.

Part of our PCB assembly services and full electronic product assembly services have to be carried out manually. Our need for production personnel will increase in aligning with the expansion of our production capacity and increase of our production volume. Moreover, labour costs had been increasing in the PRC in recent years. There is no assurance that we will not experience any labour shortage for our production or that the costs of labour in the PRC will not continue to increase in the future. Furthermore, if labour costs continue to increase in the PRC, our production costs would increase correspondingly and we may not be able to shift these extra costs to our customers due to competitive pricing pressures among our competitors.

If we fail to retain our existing labour and/or recruit sufficient labour in a timely manner, we may not be able to accommodate any increase in demand for our products or smoothly implement our expansion plans. Hence, our business, prospect, financial conditions and results of operations would be materially and adversely affected.

We may be subject to fines and penalties as a result of our non-compliance with certain PRC laws and regulations during the Track Record Period.

Pursuant to the relevant PRC laws and regulations, employers in the PRC are required to provide employees with housing funds and housing benefits, and entities failing to (i) undertake the housing provident fund payment and deposit registration within 30 days after the establishment, or (ii) register housing provident fund accounts for the employees within 30 days after their employment, may be ordered to make such registration within a prescribed time limit, and failing to do so at the time of expiration of the time limit may be subject to penalties or fines.

During the Track Record Period, we were not in strict compliance with the PRC laws and regulations above. Please refer to the paragraph headed “Business — Legal and Compliance” in this prospectus for further details.

There is no assurance that we will not be subject to penalties or fines imposed by the relevant PRC authority as a result of such non-compliance incident. Any such penalties or fines may harm our corporate image and may have an adverse effect on our financial condition and results of operations.

We are exposed to foreign exchange risks.

Our functional currency is RMB while some of our business transactions between us and our overseas customers and our cost of sales for purchase of raw materials from overseas suppliers, which had increased for the year ended 31 December 2017, are denominated in U.S. dollars. We are exposed, to some extent, to foreign currency risks as a result of sales and purchases that are denominated in a currency other than RMB. Any significant changes in the exchange rate between RMB and other currencies may result in substantial loss for us and our financial condition and results of operations may be materially and adversely affected.

We are subject to extensive environmental, occupational health and safety laws, regulations, government policies, and compliance with these laws, regulations and policies may be costly.

Our business operations are subject to various environmental, occupational health and safety laws, regulations and government policies promulgated by the PRC government. Please refer to the paragraph headed "Regulatory Overview — PRC Laws and Regulations" in this prospectus for further details.

The environmental, occupational health and safety laws, regulations and government policies applicable to our business operations and products are constantly evolving and we cannot predict when or how they will be amended, nor the consequence or impact thereof. There is no assurance that the PRC government or the relevant authorities in the PRC will not impose additional or more stringent laws, regulations or government policies in the future, which may subject us to more onerous duties and obligations. Any change or amendment to these laws, regulations or government policies may require us to incur substantial financial or other resources to adjust our production process, introduce new preventive or remedial measures, purchase new pollution control equipment and update our compliance and monitoring systems in order to ensure compliance, which may have a negative impact on our results of operations and financial condition.

Any decrease of discontinuation of tax rebate towards exported goods would have a negative effect on our profit ability.

Pursuant to the Measure for the Administration of Tax Refund (Exemption) of Exported Goods (For Trial Implementation) (出口貨物退(免)稅管理辦法(試行)) (Guo Shui Fa [2005] No. 51), as promulgated by SAT on 16 March 2005 and became effective on 1 May 2005 unless otherwise provided by law, for the goods as exported either directly by an exporter or via an export agency, the exporter may, after the export declaration and the conclusion of financial settlement of sales, file a report to the tax authorities for the approval of refund or exemption of VAT. Subject to relevant PRC laws, we are currently entitled to rebates of the VAT from the PRC tax authority in connection with our export sales at a rate of 17% for our PCBAs and from 5% to 17% for our fully-assembled electronic products. The tax rebate comprised a refund of VAT incurred on raw materials we used for production of our products in the PRC, which are subsequently exported to overseas countries. We cannot assure you that the PRC governmental policies on tax rebate will not change or that the current policy we enjoy will not be cancelled. If any of such change, cancellation or discontinuation of tax rebate policy occurs, the resulting increase in our tax liability would adversely affect our business and results of operations.

We engage independent third party logistics service providers to deliver our products, and their failure to provide timely and high quality logistics services to our customers may adversely affect our brand image and our financial condition.

We engage independent third party logistics service providers to deliver our products to our customers. Delivery disruptions such as transportation bottlenecks, inclement weather and natural disasters, social unrest, vehicle breakdown, labour strikes or other circumstances beyond our control may result in delayed or lost deliveries. There is no assurance that the logistics service providers will be able to deliver our products according to the delivery schedule or provide high quality services to our customers. If the logistics service providers fail to deliver our products to our customers on time or if our products are damaged in the course of delivery, our customers may refuse to accept our products and our reputation and brand image may suffer as a result. We may also be subject to penalties in the event of late delivery, which may materially and adversely affect our financial position. In addition, any significant increase in the cost of transportation, such as fuel cost, will increase our operating expenses.

There is no assurance that our business strategies and future plans will be successfully implemented.

The successful implementation of our business strategies and future plans will depend on various factors, including but not limited to our ability to (i) retain our major customers; (ii) enhance our production efficiency; (iii) retain our existing workforce and recruit new staff members at a rate that is consistent with our business growth; (iv) raise additional funds to support our business expansion; and (v) explore new business opportunities. As concerns our plan to expand our production capacity, for each of the three years ended 31 December 2017 and the four months ended 30 April 2018, the utilisation rate of our SMT assembly lines was approximately 90.2%, 90.0%, 91.0% and 92.6%, respectively. It is therefore our strategic plan to upgrading three SMT assembly lines, and setting up two additional SMT assembly lines and four automated testing lines in order to meet the increasing demand for EMS for the PRC market and foreign markets. The success of our expansion plan hinges on our ability to capture additional customer demands. However, there is no assurance that we will be able to maintain or establish relationships with our existing or prospective customers or secure new purchase orders to utilise our increased production capacity. There are also other uncertainties and risks, such as delays, cost overrun, shortage of labour and shortage of key materials, which are beyond our control and would increase the costs of implementing our expansion plan. We may even have problems of under-utilisation if demand for our products does not increase at the same rate. In the event that the above-mentioned uncertainties and risks happen or we are unable to achieve high utilisation of our production capacity as planned, there could be a material adverse effect on our performance and results of operation. There is no assurance that we will be able to successfully implement our business strategies or future plans. Even if our business strategies or future plans are implemented, there is no assurance that they will increase our market share or enhance our market position. Our results of operations and financial position may be materially and adversely affected if our business strategies or future plans are not successfully implemented.

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

Our Group currently plans to use approximately HK$67.5 million of the net proceeds from the Share Offer to upgrade three of our existing SMT assembly lines and purchase machinery and equipment to set up two additional SMT assembly lines and four automated testing lines in order to expand our production capacity. For more details, please see the section headed "Future Plans and Use of Proceeds" of this prospectus. Such upgrade and addition of SMT assembly lines and automated testing lines may increase our depreciation expenses, and may therefore adversely affect our Group's future results of operations and financial performance. Furthermore, any unexpected requirement for the acquisition of additional SMT assembly lines and automated testing lines would have a negative impact on the cash level of our Group and the additional depreciation expenses may adversely affect our Group's financial performance in the future.

Our profit margin could be adversely affected if we are unable to continuously maintain a high utilisation rate of our production machinery and equipment.

Our ability to maintain our profitability depends partly on our ability to maintain a high utilisation rate of our production machinery and equipment in our Shenzhen Production Plant. The level of the utilisation rate of our production machinery and equipment can impact our operating results as a certain percentage of our costs of sales such as direct labour and factory overhead are fixed in nature. A higher utilisation rate of our production machinery and equipment allows us to spread our fixed costs over a larger quantity of product, resulting in a higher profit margin. Hence, if we are unable to continuously maintain a high utilisation of our production machinery and equipment, our profit margin would be adversely affected.

Our research and development in our PCB assembly services and full electronic product assembly services may not be well-received by the market.

Our Directors believe that our capability to meet our customers' requirements and specifications in our PCB assembly services and full electronic product assembly services in terms of style, quality and performance is the key differentiating factor that sets us apart from the rest of the industry players. That is the reason why we had devoted substantial resources to conduct research and development in (i) enhancing the assembling process; and (ii) expanding the usage of our PCBAs to other electronic products.

However, conducting research and developing products can be a costly process and do not necessarily lead to the launch of a marketable new product. Instead, the results of research and development are sometimes unpredictable, in the sense that we are not able to predict the market's response to our new products before mass production. If our research and development capabilities fail to develop products that meet our customers' expectations, our business and results of operations may be adversely affected.

Reliance on our senior management team.

Our success has been heavily dependent on the services provided by our key management personnel, and we believe that the senior management team will continue to be essential to the development and success of our business. In particular, Mr. Ma has over 16 years of experience in electronics component industry and he is also one of the founders of our Group. Mr. Ma is responsible for formulating the overall corporate strategies and handling the day to day operation and production management of our Group during the Track Record Period. Mr. Ma and other senior management's knowledge and experience in the EMS industry are a major factor of our Group's success. To a certain extent, the future of our Group relies on our ability to retain the services of key management personnel.

While Mr. Ma and other members of the senior management team entered into or agreed to enter into service agreements with us, there is no assurance that they or any of them will not terminate their service agreement or decline to renew their service agreements with us. If that happens, we may not be able to replace, retain, attract and hire other qualified managerial personnel and there may be a disruption to our business, which may adversely affect our performance.

We may not be able to obtain adequate financing for the development of our business in the future.

The daily operation of our business requires intensive working capital and we also require capital investment to purchase new production equipment for our business growth. During the Track Record Period, we relied on our working capital, registered capital, bank borrowings and amount due to a Director to maintain our cash flow and satisfy the needs of our daily productions. As at 31 December 2015, 2016 and 2017 and 30 April 2018, our bank borrowings repayable within one year was approximately RMB20.6 million, RMB12.3 million, RMB5.0 million and RMB13.5 million, respectively.

We cannot assure that we will be able to obtain bank loans and/or other equity or debt financing on commercially reasonable terms and/or on a timely basis following the Listing. If we are unable to obtain necessary financing or obtain such financing on favourable terms due to various factors beyond our control, we may not have sufficient funds to develop our business and the future prospect and growth potentials of our Group may be adversely affected.

We may experience weak liquidity as we recorded negative operating cash flow for the four months ended 30 April 2018.

For the four months ended 30 April 2018, we recorded negative cash flow from our operating activities of approximately RMB1.0 million, which was largely due to cash outflow from change in working capital resulting from the aggregate effect of the increase in trade and bills receivables of approximately RMB79.1 million, increase in inventories of approximately RMB39.0 million and increase in prepayments, deposits and other receivables of approximately RMB5.1 million, and are partially offset by the increase in trade payables of approximately RMB94.5 million and increase in receipts in advance, other payables and accruals of approximately RMB12.2 million. Please refer to the paragraph headed "Financial Information — Liquidity and Capital Resources — Net cash generated from/(used in) operating activities" in this prospectus for a more detailed discussion. We cannot assure you that we will not experience another period of negative cash flow from our operating activities in the future. Our liquidity and financial condition may be materially and adversely affected should our future operating cash flow remain negative, and we cannot assure that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs and we cannot guarantee that we will be able to obtain financing on terms acceptable to us or at all.

Our cash flow position may deteriorate owing to the mismatch in time between receipt of payments from our customers and payments to our suppliers if we are unable to manage our cash flow mismatch properly.

As an EMS provider, we have to purchase raw materials from our suppliers from time to time based on our customers' varying requests and our procurement policy. We rely on cash inflow from our customers to meet our payment obligations to our suppliers. Our cash inflow is dependent on prompt settlement of our payments. As at 31 December 2015, 2016 and 2017 and 30 April 2018, our trade payables amounted to approximately RMB33.1 million, RMB53.2 million, RMB55.6 million and RMB150.1 million respectively, whereas the respective trade payables accounted for approximately 28.1%, 43.5%, 57.6% and 71.1% of our total current liabilities respectively.

In addition, our trade and bills receivable turnover days for each of the three years end 31 December 2017 and four months ended 30 April 2018 were 119.5 days, 91.1 days, 74.9 days and 73.3 days respectively, which were generally longer than our trade payable turnover days during the corresponding period, being 65.7 days, 71.4 days, 64.1 days and 80.5 days respectively. For further details, please refer to the paragraph headed "Trade and bills receivables" and "Trade payables" in the section headed "Financial Information — Analysis on major components of the consolidated balance sheets" in this prospectus.

As a result of the above, our daily operation has to rely on our internal resources and bank borrowings to maintain our cash flow and satisfy the needs of our daily operations.

If we fail to manage the aforesaid cash flow mismatches, or cannot function properly or at all, or if the cash flow mismatch is further aggravated, we may have to resort to reserve further funds from our internal resources and/or obtain banking facilities to meet our payment obligations, and our financial condition may be materially and adversely affected as a result.

We are exposed to credit risks of our customers.

As at 31 December 2015, 2016 and 2017 and 30 April 2018, our Group's trade and bills receivables were approximately RMB53.0 million, RMB80.7 million, RMB71.1 million and RMB150.2 million respectively, representing approximately 43.3%, 52.7%, 42.8% and 51.4% of our Group's total current assets as at the respective dates.

If our customers delay in or default on their payments, we may have to make additional provision for impairment, write off the relevant receivables and/or incur substantial legal costs to recover the outstanding balance, which may in turn materially and adversely affect our financial condition, results of operations and business prospects. We are therefore subject to credit risk of our customers and our profitability and cashflow are dependent on our receipt of timely payments from our customers.

There is no assurance that we will be able to collect all or any of our progress payments receivable in a timely manner, or at all. If any of our customers face unexpected situations, including, but not limited to, financial difficulties, we may not be able to receive full or any payment of uncollected sums or enforce any judgment debts against such customers. Non-payment or delays in payment by our customers may materially and adversely affect our business, financial condition, results of operations and prospects.

If we fail to manage our inventories effectively, we may experience a heightened risk of inventory obsolescence, a decline in inventory value and significant inventory writedowns or write-offs.

While we generally procure raw materials after we have confirmed the purchase orders with our customers and checked the orders against our inventory in order to avoid accumulation of excessive inventories, there is no assurance that our customers will not subsequently cancel their purchase orders, in which case we may not be able to resell the raw materials ordered for them and/or the products manufactured according to their specifications. Customer demand may be affected by numerous uncertainties, including the progress of their projects, timing and success of their product trial and testing and other factors beyond our control, which may result in an increase in our inventory level.

For raw materials that are commonly used in our production process, we place orders with our suppliers from time to time based on the inventory level maintained in our ERP system in order to meet our continuous production needs for a period of around 30 days. However, the purchase volume from our customers may differ with our estimates, which may result in an increase in our inventory level. For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, our provision for obsolete inventories was approximately RMB0.2 million, RMB1.0 million, RMB1.1 million and RMB0.2 million respectively, which accounted for approximately 0.2%, 0.4%, 0.3% and 0.1% of our total cost of sales, respectively.

As at 31 December 2016, our Group recorded an increase in average inventory turnover days from approximately 28.5 days for the year ended 31 December 2015 to approximately 36.2 days for the year ended 31 December 2016. As at 31 December 2017, our Group recorded a decrease in average inventory turnover days to approximately 31.3 days. As at 30 April 2018, our Group recorded an increase in average inventory turnover days to approximately 39.8 days. As at the Latest Practicable Date, approximately 77.0% of the inventories balance as at 30 April 2018 has been sold or utilized and we expect that our inventory turnover will increase as we continue to expand our production capacity and our Shenzhen Production Plant and set up intelligent warehouses. If we fail to effectively manage the level of our inventories, we may experience a heightened risk of inventory obsolescence, a decline in inventory value and significant inventory write-downs or write-offs. Any of the above circumstances may materially and adversely affect our financial condition and results of operations.

We are exposed to risks of infringement of our intellectual property rights by third parties.

We are the registered owner of certain patents and copyrights in the PRC, however, the said registrations may be insufficient to prevent third parties from misappropriating our intellectual property rights. In particular, we are susceptible to infringement of our intellectual property rights as the protection and enforcement of intellectual property rights in the PRC are not as certain and effective as in other developed countries. Even though we have registered our patents and copyrights, there is no assurance that we are free from any infringement of our intellectual property rights by our competitors or other third parties. There is no assurance that there will not be any imitation of our PCBAs and/or fully-assembled electronic products. Any occurrence of imitation of our products may result in a reduction of our market share, a decline in our sales and profitability as well as an increase in the administrative costs in detection and protection of our products, which in turn affects our overall results.

Furthermore, as at the Latest Practicable Date, we had applied for the registration of eight utility model patents relating to PCB assembly services and full electronic product assembly services in the PRC. However, there is no assurance that the said patents under applications will be approved or approved on a timely basis. Our success partly depends on our ability to use and develop our know-how copyrights and patents without infringing the intellectual property rights of third parties. However, we cannot assure you that there is no potential risk of infringement claims made by any third party against us regarding our patents and copyrights. If that happens, the defence of intellectual property rights claims, including infringement lawsuits and related legal and administrative proceedings, can be both costly and time consuming and may significantly divert the efforts of our management personnel and financial resources. It would also result in our customers deferring or limiting their purchase or use of our products until the resolution of such lawsuits. If such claims are brought against us, we might also face lengthy and costly litigation that could adversely affect our overall performance.

We are exposed to the risk of industrial accidents at our production site.

Our Group may be exposed to the risk of industrial accidents at our Shenzhen Production Plant in the PRC. Although we have enforced our safety measures and are covered by insurance under normal market practice, there is no guarantee that industrial accidents may not occur in the future, which may result in suspension of the operation in out Shenzhen Production Plant, damaging our plant or machinery, and giving rise to potential liability to our employees, our customers or third parties.

Nevertheless, we might be exposed to claims in respect of matters that are not covered by the insurance policies we maintained. In addition, as to the insurance policies we maintained, there may be circumstances (such as fraud, gross negligence, natural disasters and acts of God) in which certain loss and claims would not be covered adequately, or at all.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Owing to the fact that most of our Group's assets, business operations and manufacturing facilities are in the PRC, its economic, political and legal developments would affect the results of our operations, financial position and prospects accordingly. The major risks that we are exposed to are as follows:

We face risks associated with changes in the economic conditions of the PRC.

For the each of the three years ended 31 December 2017 and the four months ended 30 April 2018, the revenue derived from our customers in the PRC accounted for approximately 79.6%, 81.8%, 90.1% and 85.6% of our total revenue respectively. As we rely heavily on domestic sales in the PRC, our financial performance may be affected by the fluctuations in its economy. If there is any economic downturn or significant changes in consumer preferences or consumers' spending pattern in the PRC resulting in a decline in demand for consumer electronic products, the revenue derived from our PCB assembly services and full electronic product assembly services would be materially affected correspondingly.

There is no assurance that we will be able to predict and respond to changes in economic conditions of the PRC. We may not be able to adopt measures to sufficiently control our costs or maintain our sales volume during the recession period of the PRC. Any failure to do so may have a material adverse effect on our business, financial condition and results of operation.

Uncertainties with respect to China's economic and political policies could affect our performance.

During the past decades, the PRC's economy has been transitioning from a planned economy to a relatively market-oriented economy. Although the PRC government has implemented measures for economic reform, a substantial portion of productive assets in China is still owned or controlled by the PRC government. The PRC government exercises significant control over the country's economic growth by controlling the allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary and industrial policies and providing preferential treatment to certain industries or companies. While some of these measures may benefit the overall economy, they may have a negative impact on our business. Furthermore, changes in the political environment of the PRC may have an adverse effect on our business.

Our business operations are subject to uncertainties with respect to the laws and regulations of the PRC.

Our business and operations in the PRC are governed by the laws of the PRC. The PRC law is a codified system which comprises of statutory laws, regulations, circulars, administrative directives and internal guidelines. Some of them, and the interpretation, implementation and enforcement thereof, are still at the experimental stage and are therefore subject to policy changes.

In the event that our PRC subsidiary breaches any of the foregoing, whether by omission or not, we will be subject to penalties prescribed therein. Owing to the fact that the legal system and economic system are growing at different paces, some degree of uncertainty exists in connection with whether and how existing laws and regulations are applicable to certain circumstances. Moreover, precedents on the interpretation, implementation and enforcement of the PRC laws and regulations are of limited value for decisions, as the higher court decisions in the PRC do not necessary have binding effect on lower courts. Accordingly, the outcome of dispute resolution may not be as consistent or predictable as in other jurisdictions.

Currency conversion and exchange rate risks.

The PRC's current currency policy allows the exchange rate of RMB to move in a managed way subject to ad hoc measures taken by the relevant government authorities. There can be no assurance that there will not be any substantial fluctuations in the RMB exchange rate. Since a substantial amount of the income and profit of our Group is denominated in RMB, any fluctuations in the value of the RMB may adversely affect the amount of dividends, if any, payable to the Shares in Hong Kong dollars to our Shareholders.

Any change or discontinuation of preferential tax treatments we currently enjoy would increase our tax liability and accordingly adversely affect our business and results of operations.

Our PRC operating subsidiary, Shenzhen Hengchang Sheng, has been granted the status of "High and New Technology Enterprise* (高新技術企業)" and, accordingly Shenzhen Hengchang Sheng is entitled to the reduced EIT rate of 15% from 2016 to 2018. There is no assurance that the PRC policies on preferential tax treatments will not change or that the current preferential tax treatments we enjoy will not be cancelled. If such change or cancellation occurs, the resulting increase in our tax liability would have an adverse effect on our net profits and cash flow.

Our business and results of operations may be adversely affected by the imposition of tariff, custom duty or any other types of tax on exports by the countries in which our overseas customers are located.

During the Track Record Period, approximately 20.4%, 18.2%, 9.9% and 14.4% of our revenue was generated by the sales to overseas customers mainly based in Hong Kong, United States and Mexico, and the products exported by us were not subject to any tax on exports or tariffs imposed by these region/countries. There is no assurance that the tax policies of these region/countries will not change in the future. If such change occurs and result in the increase in tax liability on us or on our overseas customers, our net profits and cash flow can be adversely affected.

It is noted that the U.S. government proposes to impose tariffs on certain products of China and the proposed list of products that would be subject to tariffs includes aerospace, information and communication technology, and machinery etc. Based on the proposed list of products published by the Office of the U.S. Trade Representative on 4 April 2018 and 20 June 2018, mobile phones and global locators (i.e. the only products sold by us to our customers in U.S. during the Track Record Period) are not on the proposed list. However, given we plan to expand the usage of our PCBAs so that they can be applied and embedded to various types of electronic products, we cannot assure you that our PCBAs to be applied or embedded in other electronic products and/or our fully assembled electronic products would not be subject to the U.S. tariffs in the future. If that happens, the importer of our customers would be responsible for paying the duties and our products would then be less competitive than the similar products imported from other countries.

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

The EIT Law and its implementation regulations issued by the State Council (國務院) define the term "de facto management bodies" as "bodies that substantially carry out comprehensive management and control of the enterprises". Under the EIT Law, if an enterprise incorporated outside the PRC has its "de facto management organisation" located within the PRC, the enterprise may be recognised as a PRC resident enterprise and thus may be subject to EIT at the rate of 25% on its worldwide income. In April 2009, the SAT further specified certain criteria for the determination of what constitutes "de facto management bodies" for foreign enterprises which are controlled by a PRC enterprise. If all of these criteria are met, the relevant foreign enterprise will be deemed to have its "de facto management bodies" located in the PRC and therefore be considered a PRC resident enterprise. These criteria include whether: (i) the enterprise's day-to-day operational management is primarily exercised in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organisations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. We are currently not treated as a PRC resident enterprise by the relevant tax authorities in the PRC. Since the daily management of our operation, assets and our management are mainly based in the PRC, we cannot guarantee that we will not be considered as a "resident enterprise" under the EIT law and not be subject to the enterprise income tax rate of 25% on our global income. If we are subsequently regarded as a PRC resident enterprise by the relevant tax authorities, this may adversely affect our financial condition and results of operation.

Holders of the Shares may be subject to taxation in the PRC.

Under the current PRC tax laws, regulations and rulings, the dividends we pay to holders of the Shares, who are either individual non-residents of the PRC or foreign enterprises with no permanent establishments in the PRC, are not currently subject to PRC income tax. Additionally, gains currently realised by holders of the Shares from the sale or other disposition of the Shares are not subject to PRC income tax. This treatment could change at any time. If such exemption is revoked and other rates specified in the applicable PRC laws do not apply, holders of the Shares could become subject to the PRC income tax, currently imposed at the rate of 20%, unless reduced or eliminated by an applicable double taxation treaty.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using proceeds we receive from the Share Offer to make loans or additional capital contributions to our PRC subsidiary.

As an offshore holding company of our PRC subsidiary, our Company may make loans to our PRC subsidiary, or our Company may make additional capital contributions to our PRC subsidiary. Any loans to our PRC subsidiary are subject to the PRC laws, regulations and foreign exchange loan registrations. For example, loans by our Company to our PRC subsidiary to finance its activities cannot exceed statutory limits and must be registered with the SAFE, its local counterpart or the competent bank. We may also decide to finance our PRC subsidiary by means of capital contributions. These capital contributions must be registered at the SAIC or its local counterpart and filed at the Ministry of Commerce of the PRC or its local counterpart. There is no assurance that we can complete these government registrations or the filing on a timely basis, if at all, with respect to future loans or capital contributions by our Company to finance our PRC subsidiary. If we fail to complete the filings or receive relevant registrations, approvals or filings our ability to use the proceeds of the Share Offer and to capitalise our PRC operations may be negatively affected. This may materially and adversely affect our liquidity and our ability to expand our business.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bring original actions in the PRC against us, the management or our experts named in this prospectus.

As our manufacturing process is conducted in the PRC and most of our assets are located in the PRC. In addition, all of our Directors reside within the PRC or Hong Kong. As a result, it may not be possible to effect service of legal processes outside the PRC or Hong Kong (as the case may be) upon them with respect to matters arising under applicable securities laws. Moreover, based on the information provided by the PRC Legal Advisers, our Directors take the view that the PRC has not entered into treaties with the US or a number of countries providing for the reciprocal recognition or enforcement of judgments of foreign courts. In addition, according to the PRC Civil Procedures Law* (中華人民共和國民事訴訟法), courts in the PRC will not enforce a foreign judgment if they decide that the judgment violates the basic principle of PRC law or national sovereignty, security or public interest. Therefore, it may be difficult for you to enforce against us and/or our management in the PRC any judgment obtained from non-PRC courts.

The PRC economy may experience inflationary pressure, which may lead to an increase in interest rates and a slowdown in economic growth.

In response to concerns regarding PRC's high rate of growth in industrial production, bank credit, fixed investment and money supply, the PRC government has taken measures to slow down the economic growth to a more manageable level. Among the measures that the PRC government has taken are restrictions to bank loans in certain sectors. These measures have historically contributed to a slowdown in economic growth in the PRC and a reduction in demand for consumer goods. These measures and any additional measures, including a possible increase in interest rates, could contribute to a further slowdown in the economy of the PRC.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for the Shares and an active trading market for the Shares may not develop or be sustained.

Prior to the Share Offer, no public market for the Shares existed. Following the completion of the Share Offer, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure our investors that an active trading market for the Shares will develop or sustained after the Share Offer. In addition, we cannot assure our investors that the Shares will trade in the public market at or above the Offer Price subsequent to the Share Offer. The Offer Price for the Shares is expected to be fixed by the Price Determination Agreement, and may not be indicative of the market price of the Shares following the completion of the Share Offer. If an active trading market for the Shares does not develop or is not sustained after the Share Offer, the market price and liquidity of the Shares may be materially and adversely affected.

The trading price and volume of the Shares may be volatile, which may result in a substantial loss for our investors.

The trading price of the Shares may be volatile and may fluctuate widely in response to factors beyond our control, including variations in the level of liquidity of the Shares, changes in securities analysts' (if any) estimates of our financial performance, investors' perceptions of our Group and the general investment environment, changes in laws, regulations and taxation systems which affect our operations, and general market conditions of the securities markets in Hong Kong. These broad market and industry factors may significantly affect the market price and volatility of the Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for the Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow, success or failure of our efforts in implementing business and growth strategies and involvement in material litigation as well as recruitment or departure of key personnel, may cause the market price of the Shares to change unexpectedly. Any of these factors may result in large and sudden changes in the volume and trading price of the Shares.

Further, there will be a gap of several days between pricing and trading of the Offer Shares. The Offer Price of the Shares is expected to be determined on the Price Determination Date while the Shares will not commence trading on the Stock Exchange until the Listing Date. As a result, investors may not be able to sell or otherwise deal in the Shares during the period between the Price Determination Date and the Listing Date and hence are subject to the risk that the price of the Offer Shares could fall during the period before trading of the Offer Shares begins.

Future disposal or perceived disposal by our existing Shareholders of a substantial number of the Shares in the public market may materially and adversely affect the prevailing market price of the Shares.

Disposal of substantial amounts of the Shares in the public market after the completion of the Public Offer, or the perception that disposal may occur and adversely affect the market price of the Shares and materially impair our future ability to raise capital through offerings of the Shares. There is no assurance that our major Shareholders will not dispose of their shareholdings. Any significant disposal of the Shares by any of the major Shareholders may materially affect the prevailing market price of the Shares. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise further capital. We cannot predict the effect of any significant future disposal on the market price of the Shares.

Investors may experience difficulties enforcing their shareholders' rights because our Company is incorporated in the Cayman Islands, and the protection of minority shareholders under the Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions.

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles of Association, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on the protection of minority Shareholders is set out in Appendix III to this prospectus.

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

Investors should read the entire prospectus and should not rely on any information contained in press articles or other media coverage regarding us and the Share Offer.

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

Certain facts, forecasts and other statistics in this prospectus obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecast and other statistics in this prospectus are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

In preparation for the Listing, we have applied to the Stock Exchange for the following waiver from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This will normally mean that at least two of the executive directors of a new applicant must be ordinarily resident in Hong Kong.

We do not have sufficient management presence in Hong Kong for purpose of satisfying the requirements under Rule 8.12 of the Listing Rules. The principal business operations of our Group are based, managed and conducted through our operating subsidiary in the PRC. All the executive Directors and senior management of our Company principally reside in the PRC. The management and operation of our Company have mainly been under the supervision of the executive Directors, who are principally responsible for the overall management, corporate strategy, planning, business development and control of our Company's businesses. As such, it is important for our executive Directors to remain in close proximity to our Company's operations in the PRC.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver for strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure there is a regular and effective channel of communication between us and the Stock Exchange by implementing the following measures:

(a) Pursuant to Rule 3.05 of the Listing Rules, we have appointed Mr. Ma Fujun, the chairman of our Board, our chief executive officer and executive Director and a controlling shareholder of our Company, and Ms. Xu Jing, the company secretary of our Company, as the authorised representatives of our Company, who will act as our Company's principal channel of communication with the Stock Exchange. Each of Mr. Ma Fujun and Ms. Xu Jing has confirmed that he or she can be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Stock Exchange. While Mr. Ma ordinarily resides in the PRC, he possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Ms. Xu Jing is a Hong Kong resident. Accordingly, each of the authorised representatives will be able to meet with the relevant members of the Stock Exchange on reasonable notice.

(b) Each of our authorised representatives has means to contact all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact a Director with respect to any matters. The Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required. To enhance communication between the Stock Exchange, our authorised representatives and the Directors, we will implement a policy that (i) each Director will have to provide his/her office phone number, mobile phone number, facsimile number and email address to our authorised representatives; (ii) in the event that a Director expects to travel or is otherwise out of office, he/she will endeavour to provide the phone number of the place of his/her accommodation to our authorised representatives or maintain an open line of communication via his/her mobile phone; and (iii) each of the Directors and authorised representatives will provide their respective office phone number, mobile phone numbers, facsimile numbers and email addresses to the Stock Exchange.

(c) In compliance with Rule 3A.19 of the Listing Rules, our Company has appointed Dakin Capital Limited as the compliance adviser, which will have access at all times to our authorised representatives and Directors and will act as an additional channel of communication between the Stock Exchange and our Company.

(d) Meetings between the Stock Exchange and the Directors could be arranged through our authorised representatives or our compliance adviser, or directly with the Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change of our authorised representatives and/or the compliance adviser in accordance with the Listing Rules.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, 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 to the public 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; there are no other matters the omission of which would make any statement in this prospectus misleading; and all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, agents, employees, affiliates and/or representatives or any other person or parties involved in the Share Offer.

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

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published in connection with the Share Offer. The Listing is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms and conditions of the Public Offer Underwriting Agreement. The Placing Underwriting Agreement relating to the Placing is expected to be entered on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters). The Share Offer is managed by the Sole Bookrunner. Further information relating to the Public Offer Underwriters and the Share Offer and the underwriting arrangements is set out in the section headed "Underwriting" of this prospectus. If, for any reason, the Offer Price is not agreed, the Share Offer will not proceed and will lapse.

OFFER SHARES TO BE OFFERED IN HONG KONG ONLY

Each person acquiring the Offer Shares will be required to confirm or be deemed by his acquisition or subscription of Offer Shares to confirm that he is aware of the restrictions on the offer of the Offer Shares described in this prospectus.

As at the Latest Practicable Date, no action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such offer or invitation is not authorised or to any person to whom it is unlawful to make an unauthorised offer or invitation.

The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, agents, employees, affiliates and/or representatives or any other persons involved in the Share Offer.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and any Shares to be issued under the Capitalisation Issue).

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

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be void if permission for the listing of, and dealing in, the Shares on the Stock Exchange has been refused before the expiration of three weeks from the date of closing of the application lists or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on the Stock Exchange unless the Stock Exchange otherwise agrees.

DEALINGS AND SETTLEMENT

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. (Hong Kong time) on or about Thursday, 16 August 2018.

Shares will be traded in board lots of 5,000 Shares each and are freely transferable.

The stock code for the Shares is 1725.

Our Company will not issue any temporary document of title.

PROFESSIONAL TAX ADVICE RECOMMENDED

Investors for the Offer Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in, the Shares or exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and their respective directors, officers, agents, employees, affiliates and/or representatives or any other persons involved in the Share Offer accepts responsibility for any tax effects on, or liability of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in, the Shares or exercising of any rights thereunder.

SHARE REGISTER AND STAMP DUTY

The principal register of members of our Company will be maintained by our principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and a branch register of members of our Company will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with, and registered by our Company's Hong Kong Share Registrar.

All the Shares will be registered on our Company's branch register of members in Hong Kong. Only Shares registered on our Company's branch register of members in Hong Kong may be traded on the Stock Exchange. Dealings in the Shares registered on our Company's branch register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

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.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese version of this prospectus, the English version of this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain RMB into HK$ at specified rates. You should not construe these translations as representations that the RMB amounts could actually be, or have been, converted into HK$ amounts (as applicable) at the rates indicated or at all. Unless we indicate otherwise, the translations of RMB amounts into HK$ have been made at the rate of RMB0.85 to HK$1.00.

ROUNDING

Any discrepancies in any table between totals and sums of the amount listed in this prospectus are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Ma Fujun (馬富軍)	Flat 9B, Block 5 Haiyue Garden Phase 3 8 Gongye 7th Road Nanshan District Shenzhen, Guangdong PRC	Chinese
Ms. Chen Xiaoyuan (陳筱媛)	Unit 4B-705 Hongjing Yuan District 25 Bao'an District Shenzhen PRC	Chinese
Mr. Cheng Bin (程彬)	Unit B1-28B, Block 2 Chuang Ye Yi Lu Yu Jing Wan Hua Yuan Bao'an District Shenzhen PRC	Chinese
Independent non-executive Directors		
Mr. Chan Chung Kik Lewis (陳仲戟)	Room 2907 Kam Wai House Kam Fung Court Ma On Shan New Territories Hong Kong	Chinese
Mr. Wu Chi-luen (吳季倫)	Flat D, 27/F, Tower 1 Park Summit, 88 Beech Tai Kwok Tsui Kowloon Hong Kong	Taiwanese
Mr. Chow Kit Ting (周傑霆)	Flat F, 46/F, Tower 8 Royal Ascot Fo Tan New Territories Hong Kong	Chinese

For further information of our Directors, please refer to the section headed "Directors and Senior Management" of this prospectus.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor	**Dakin Capital Limited** Room 2701, 27/F, Tower 1 Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
Sole Bookrunner	**Supreme China Securities Limited** Suite 2701-2, 27/F Everbright Centre 108 Gloucester Road Wanchai Hong Kong
Joint Lead Managers	**Supreme China Securities Limited** Suite 2701-2, 27/F Everbright Centre 108 Gloucester Road Wanchai Hong Kong
	Dakin Securities Limited Room 2701, 27/F, Tower 1 Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
	Koala Securities Limited Unit 01-02, 13/F Everbright Centre 108 Gloucester Road Wanchai Hong Kong
	Yellow River Securities Limited Room A, 24/F Tai Yau Building, 181 Johnston Road Wanchai Hong Kong

Legal adviser to our Company as to Hong Kong law	**Sidley Austin** 39/F Two Int'l Finance Centre Central Hong Kong
Legal adviser to our Company as to Cayman Islands law	**Conyers Dill & Pearman** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Legal adviser to our Company as to PRC law	**Tian Yuan Law Firm** 10/F, CPIC Plaza No. 28 Fengsheng Lane Xicheng District Beijing PRC
Legal adviser to our Company as to U.S. law	**CKR Law LLP** 1330 Avenue of the Americas New York, New York 10019 U.S.
Legal adviser to the Sole Sponsor and the Underwriters as to Hong Kong law	**TC & Co.** Units 2201-3, Tai Tung Building 8 Fleming Road Wan Chai Hong Kong
Legal adviser to the Sole Sponsor and the Underwriters as to PRC law	**DeHeng Law Offices (Shenzhen)** Storey 11, Section B, Anlian Plaza 4018 Jintian Road Shenzhen PRC
Reporting accountant and auditor	**PricewaterhouseCoopers** *Certified Public Accountants* 22/F, Prince's Building Central Hong Kong

Industry consultant	**Frost & Sullivan (Beijing) Inc.,** **Shanghai Branch Co.** Room 1018, Tower B No. 500 Yunjin Road Shanghai, 200232 China
Compliance adviser	**Dakin Capital Limited** Room 2701, 27/F Tower 1, Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
Receiving bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Head office in the PRC	Block A2 Yingzhan Industrial Park Longtian Community Kengzi Street, Pingshan New District Shenzhen, Guangdong PRC
Principal place of business in Hong Kong	Unit 1705, 17/F Bonham Trade Centre 50 Bonham Strand Sheung Wan Hong Kong
Company secretary	Ms. Xu Jing *Certified Public Accountants* Flat 12, 33/F Hiu On House Hiu Kwong Street, Hiu Lai Court Sau Mau Ping Kowloon Hong Kong
Authorised representatives	Mr. Ma Fujun Flat 9B, Block 5 Haiyue Garden Phase 3 8 Gongye 7th Road Nanshan District Shenzhen, Guangdong PRC
	Ms. Xu Jing Flat 12, 33/F Hiu On House Hiu Kwong Street, Hiu Lai Court Sau Mau Ping Kowloon Hong Kong
Audit Committee	Mr. Wu Chi-luen *(Chairman)* Mr. Chow Kit Ting Mr. Chan Chung Kik Lewis

Remuneration Committee	Mr. Wu Chi-luen *(Chairman)* Mr. Chow Kit Ting Mr. Chan Chung Kik Lewis
Nomination Committee	Mr. Ma Fujun *(Chairman)* Mr. Wu Chi-luen Mr. Chan Chung Kik Lewis
Cayman Islands principal share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Principal bank	The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central, Central, Hong Kong China Merchants Bank Shenzhen Huanggang Branch 1/F, Tower B, Zhongshen Building, Caitian South Road, Futian District, Shenzhen, PRC
Company's website	www.szeternity.com *(information of this website does not from part of this prospectus)*

This section sets forth a summary of the most significant laws and regulations that affect our business and the industry in which we operate.

HONG KONG LAWS AND REGULATIONS

Apart from the general rules and regulations in Hong Kong applicable to our Group, there is no specific regulatory framework in Hong Kong that governs the business provided by our Group in Hong Kong, namely trading of electronic products. The following sets out the general Hong Kong rules and regulations applicable to our business in Hong Kong.

Business Registration

The Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) requires every person carrying on any business shall make application to the Commissioner of Inland Revenue in the prescribed manner for the registration of that business. Business registration application shall be made to the Commissioner of Inland Revenue as soon as practicable after the prescribed business registration fee are paid. Then business registration certificate or branch registration certificate for the relevant business or the relevant branch shall be issued as the case may be.

Supply of Goods

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) ("**Sale of Goods Ordinance**") is the main governing law in Hong Kong in relation to the sale of goods.

Section 15 of the Sale of Goods Ordinance provides that where there is a contract for the sale of goods by description, there is an implied condition that the goods shall correspond with the description.

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

Where any right, duty or liability would arise under a contract of sale of goods by implication of law, it may (subject to the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong)) be negative or varied by express agreement, or by course of dealings between the parties, or by usage if the usage is such as to bind both parties to the contract.

Supply of Services

The supply of services in Hong Kong is regulated by the Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong) ("**Supply of Services Ordinance**"), which consolidates and amends the law with respect to the terms to be implied in contracts for the supply of services.

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

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

Import and Export (Registration) Regulations

Regulations 4 and 5 of the Import and Export (Registration) Regulations (chapter 60E of the Laws of Hong Kong) (the "**Import and Export Registration Regulations**") provide that every person who imports or exports any article other than an exempted article shall lodge an accurate and complete import or export declaration relating to such article using services provided by a specific body with the Commissioner of Customs and Excise within 14 days after the importation and exportation of the article.

Any person failing to declare within 14 days after the importation without reasonable excuse is liable to a fine of HK$1,000 upon summary conviction and HK$100 in respect of every day such declaration has not been lodged. Furthermore, the Import and Export Registration Regulations also provide that any person knowingly or recklessly lodges any declaration with the Commissioner that is inaccurate in any material particular shall be liable to a fine of HK$10,000 upon summary conviction.

Transfer Pricing

Regulations concerning transfer pricing between associated enterprises can be found in the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**IRO**") and the comprehensive double taxation agreements (the "**DTAs**") between Hong Kong and other countries or territories, including the PRC. Pursuant to Section 20(2) of the IRO, a non-resident person shall be liable to Hong Kong profits tax where it carries on business with a closely connected resident person and such business is so arranged that it produces to the resident person either no profits which arise in or derive from Hong Kong or less than the ordinary profits which might be expected to arise in or derive from Hong Kong.

Under section 60 of the IRO, where it appears to an assessor that for any year of assessment any person chargeable with tax has not been assessed or has been assessed at less than the proper amount, the assessor may, within the year of assessment or within 6 years after the expiration thereof, assess such person at the amount or additional amount which according to his judgment such person ought to have been assessed, and, provided that where the non-assessment or under-assessment of any person for any year of assessment is due to fraud or willful evasion, such assessment or additional assessment may be made at any time within 10 years after the expiration of that year of assessment.

Section 61A of the IRO stipulates that where it would be concluded that person(s) entered into or carried out transactions for the sole or dominant purpose to obtain a tax benefit (which means the avoidance or postponement of the liability to pay tax or the reduction in the amount thereof), liability to tax of the relevant person(s) will be assessed (a) as if the transaction or any part thereof had not been entered into or carried out; or (b) in such other manner as the supervising authority considers appropriate to counteract the tax benefit which would otherwise be obtained.

The DTAs contain provisions mandating the adoption of arm's length principle for pricing transactions between associated enterprises. The arm's length principle uses the transactions of independent enterprises as a benchmark to determine how profits and expenses should be allocated for the transactions between associated enterprises. The basic rule for DTA purposes is that profits tax charged or payable should be adjusted, where necessary, to reflect the position which would have existed if the arm's length principle had been applied instead of the actual price transacted between the enterprises.

The Departmental Interpretation and Practice Notes No. 45 — Relief from Double Taxation due to Transfer Pricing or Profit Reallocation Adjustments issued by the Inland Revenue Department in April 2009 makes it available that where double taxation arises as a result of transfer pricing adjustments made by the tax authorities of another country, a Hong Kong taxpayer may potentially claim relief under the tax treaty between Hong Kong and that country (countries entered into tax arrangements with Hong Kong includes the PRC).

The Inland Revenue Department also issued a Departmental Interpretation and Practice Notes No. 46 in December 2009 which provides a comprehensive guideline on transfer pricing and further issued a Departmental Interpretation and Practice Notes No. 48 in March 2012 which provides a mechanism for taxpayers to pre-agree their transfer pricing arrangements with the Inland Revenue Department.

Furthermore, the Inland Revenue (Amendment) (No.6) Bill 2017 (the "**Amendment Bill**") was gazetted on 29 December 2017. The main objectives of the Amendment Bill are to codify the transfer pricing principles into the IRO and implement the minimum standards of the Base Erosion and Profit Shifting ("**BEPS**") package promulgated by the Organisation for Economic Co-operation and Development such as the transfer pricing documentation requirements. The BEPS package seeks to counter the exploitation of gaps and mismatches in tax rules by multinational enterprises to artificially shift profits to low or no-tax locations where there is little or no economic activity.

In particular, section 50AAF of the Amendment Bill codifies the arm's-length principle and allows for an adjustment of a taxpayer's profits upwards/losses downwards if the taxpayer has entered into transaction(s) with an associated person, and the pricing of such transaction(s) differs from that between independent persons and has created a Hong Kong tax advantage. Section 82A of the Amendment Bill stipulated that a person is liable to be assessed for penalties to additional tax of the amount of tax undercharged resulting from transfer pricing adjustments, unless it is proved that reasonable efforts have been made to determine the arm's length price for the transaction(s). Pursuant to section 58C of the Amendment Bill, Hong Kong entity engaged in transactions with associated enterprises will be required to prepare master and local files for accounting periods beginning on or after 1 April 2018, except where they meet either one of the following exemptions in respect of business size or relevant transaction volume:

Exemption based on size of business: Taxpayers meeting any two of the following conditions are not required to prepare the master file and local files:

(i) Total annual revenue not exceeding HK$200 million;

(ii) Total assets not exceeding HK$200 million; or

(iii) No more than 100 employees.

Exemption based on related party transactions: If the amount of a category of controlled transactions for the relevant accounting period is below the proposed threshold, an enterprise will not be required to prepare a local file for that particular category of transactions:

(i) Transfer of properties (other than financial assets and intangibles): HK$220 million;

(ii) Transaction of financial assets: HK$110 million;

(iii) Transfer of intangibles: HK$110 million;

(iv) Any other transaction (e.g., service income and royalty income): HK$44 million

The Amendment Bill was introduced into the Legislative Council in January 2018 and had not been enacted as at the Latest Practicable Date.

PRC LAWS AND REGULATIONS

Incorporation, Operation and Management of Wholly Foreign-owned Enterprise

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 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 Enterprises Law of the PRC (中華人民共和國外資企業法) (the "Wholly Foreign-owned Enterprise Law"), which was promulgated on 12 April 1986, 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) (the "Implementation Regulations"), which was promulgated on 12 December 1990, amended on 12 April 2001 and 19 February 2014.

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 the National Development and Reform Commission (國家發展和改革委員會) (the "NDRC") and the Ministry of Commerce (商務部) (the "MOFCOM") on 28 June 2017 and came into effect on 28 July 2017. The Guidance Catalogue divides the foreign investment industries into the encouraged 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. According to the Guidance Catalogue, the core business of our PRC subsidiary falls within the permitted category for foreign investment on a wholly-owned basis.

Pursuant to the Interim Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法), which was promulgated by the MOFCOM and became effective on 8 October 2016, and amended on 30 July 2017 and 29 June 2018, where establishment and changes to a foreign-invested enterprise do not fall within the scope of special administration measures for foreign investment admission as stipulated by the NDRC and MOFCOM, the foreign-invested enterprise shall go through filling procedures instead of the procedures for approvals. However, where establishment and changes to a foreign-invested enterprise falls within the scope of special administration measures for foreign investment admission as stipulated by the State, the foreign-invested enterprise shall go through procedures for approvals according to the relevant laws and regulations governing foreign investment.

According to the Announcement 2016 No. 22 of the NDRC and the MOFCOM promulgated on 8 October 2016, with the approval of the State Council, the special entry administration measures for foreign investment shall be applied according to the provisions on restricted and prohibited categories specified in the Guidance Catalogue (2015 Revision), and encouraged category therein on which equity or senior management related requirements are imposed. According to the Announcement 2017 No. 37 of the MOFCOM promulgated on 30 July 2017, In the pilot free trade zones, the scope for implementing the special management measures for market entry as required by the State shall be subject to the provisions of the Special Management Measures for Market Entry of Foreign Investment in Pilot Free Trade Zones (Negative List) (2017 Version) as of 10 July 2017; outside the pilot free trade zones, the scope for implementing the special management measures for market entry as required by the State shall be subject to the provisions of the Special Management Measures for Market Entry of Foreign Investment (Negative List for the Market Entry of Foreign Investment) in the Guidance Catalogue (2017 vision).

According to the Special Management Measures for Market Entry of Foreign Investment (Negative List) (2018 Version) which shall become effect on July 28, 2018, in the Guidance Catalogue (2017 vision), the Special Management Measures for the Market Entry of Foreign Investment (Negative List for the Market Entry of Foreign Investment) shall be simultaneously repealed and the Catalogue of Industries in Which Foreign Investment is Encouraged shall continue to be effective. The core business of our PRC subsidiary falls within the permitted category for foreign investment on a wholly-owned basis without equity or senior management related requirements, thus our Group falls outside the scope of aforementioned special administrative measures or approval procedures.

Provisions for Import and Export Goods

Pursuant to the Foreign Trade Law of the PRC (中華人民共和國對外貿易法) adopted on 12 May 1994, amended on 6 April 2004 and 7 November 2016 by the SCNPC and implemented since 1 July 2004, the State allows free import and export of goods and technologies, unless it is otherwise provided under the laws and administrative regulations that the import and export of goods and technologies shall be restricted or prohibited (i) for the purposes of the public safety, public interests or morals; (ii) in order to protect the human health or security, the animals and plants life or health or the environment, implement the measures in respect of the importations and exportations of gold or silver, establish or accelerate the establishment of a particular domestic industry, or maintain the State's international financial status and the balance of international payment; (iii) in the case of domestic shortage in supply or the effective protection of exhaustible natural resources, the limited market capacity of the importing country or region, or the occurrence of serious confusion in the export operation order; or (iv) for the necessary restriction on the import of agricultural, animal husbandry or fishery products in any form, etc.

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

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 and related regulations, 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 PRC Customs brokers that have registered with the PRC Customs. The consignees and consignors for import or export goods and the PRC Customs brokers engaged in the PRC Customs declaration shall register with the PRC Customs, and no enterprises or persons can make declarations without registering with the PRC Customs or obtaining the relevant qualifications for declaration in accordance with the law.

Principal regulations on the inspection of import and export commodities are set out in the Law of the PRC on Import and Export Commodity Inspection (中華人民共和國進出口商品檢驗法) promulgated by the Standing Committee of the NPC on 21 February 1989 and amended on 28 April 2002, 29 June 2013 and 27 April 2018 and its implementation rules. According to the aforesaid law and its implementation regulations, the Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) ("AQSIQ") shall be in charge of the inspection of import and export commodities throughout the country. The local inspection and quarantine authorities set up by AQSIQ shall be responsible for the inspection of import and export commodities within areas under their jurisdiction. 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 consignor shall apply to the inspection and quarantine authorities for inspection in the places and within the time limit specified by AQSIQ. No permission shall be granted for the export of export commodities subject to mandatory inspection by the inspection and quarantine authorities until they have been found to be up to standard through inspection. While 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.

Regulations on Work Safety

The Production Safety Law of the PRC (中華人民共和國安全生產法) (the "Production Safety Law") which was promulgated on 29 June 2002, became effective on 1 November 2002 and amended on 27 August 2009 and 31 August 2014. The Production Safety Law provides safety standards for any production or business operation in order to prevent and reduce safety accidents, defend the safety of life and property of the masses. The State Administration of Work Safety established by the State Council is the main regulator of the nationwide supervision and administration of the Production Safety Law. Local government authorities at the county level and above are responsible for supervision and administration of production safety within their respective local jurisdiction.

Occupational Health

In accordance with the Law of the PRC on Prevention and Control of Occupational Diseases (中華人民共和國職業病防治法) promulgated by the SCNPC on 27 October 2001, which was became effective on 1 May 2002 and amended on 31 December 2011, 2 July 2016 and 4 November 2017, the employer must adopt effective facilities for the prevention and control of occupational diseases, and provide laborers with individual articles for the prevention and control of occupational diseases. The employer shall detect and assess the occupational-disease-inductive factors in the workplace on a regular basis, as required. The detection and assessment result shall be archived in the occupational health file of the employer, and be regularly reported to local production safety supervision and management departments and announced to the laborers.

Regulations on Product Quality

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, 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. Business in production and sale of our PRC subsidiary should comply with the Product Quality Law and they shall be liable to product quality.

According to the Regulations of the PRC on Certification and Accreditation (中華人民共和國認證認可條例), which was promulgated by the State Council on 3 September 2003, became effective on 1 November 2003 and amended on 6 February 2016, the State will promote certification on products, services and management systems conforming to the requirements of the economic and social development; and the term "certification" as mentioned refers to the assessment activities carried out by the certification bodies to testify whether the products, services, and management systems are in conformity with the relevant technical norms and their compulsive requirements or standards, and the term "accreditation" as mentioned refers to the assessment activities carried out by the accreditation bodies to recognise the capabilities and qualifications of the certification bodies, inspection organisations and laboratories, and practicing personnel engaging in such certification activities as appraisal and examination, etc.

Regulations on Environmental Protection

The Environmental Protection Law of the PRC (中華人民共和國環境保護法) (the "Environmental Protection Law") became effective on 26 December 1989 and was amended on 24 April 2014. The Regulations on the Administration of Construction Project Environmental Protection (建設項目環境保護管理條例) (the "Administration Regulations") was promulgated and became effective on 29 November 1998, and amended on 27 February 2003 and 16 July 2017. According to the Environmental Protection Law and the Administration Regulations:

a) enterprises, public institutions and other producers and business operators that discharge pollutants shall take measures to prevent and control the environmental pollution and harm caused by waste gas, waste water, waste residues, medical waste, dust, malodorous gases, radioactive substances, noise, vibration, optical radiation and electromagnetic radiation, etc. generated during production, construction or other activities;

b) a statement on environmental impact should be compiled for a construction project that may cause light impact on the environment, giving analysis or special-purpose evaluation of the pollution generated and environmental impact caused by the construction project; and a registration form should be filled out and submitted for a construction project that has slight impact on the environment and necessitates no environmental impact evaluation.

The competent department of environmental protection of the State Council shall conduct unified supervision and administration of the environmental protection work throughout the country. The competent departments of environmental protection of the local people's governments at or above the county level shall conduct unified supervision and administration of the environmental protection work within their respective administrative regions. Different penalties shall be imposed against persons or enterprises in violation of the Environmental Protection Law depending on the individual circumstances and the extent of contamination. Such penalties include fines, the suspension of operations or shut-down or orders to close down or criminal responsibility.

Our operations are also subject to Law of the PRC on Environmental Impact Assessment (中華人民共和國環境影響評價法), the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法), the Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法), the Law of the PRC on the Prevention and Control of Pollution From Environmental Noise (中華人民共和國環境噪聲污染防治法) and the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法). These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge. Business operations of our PRC subsidiary should comply with laws and regulations concerning the environment protection. Operations of companies shall also be under the supervisor of the environment protection bureau.

According to the Environmental Protection Tax Law of the PRC (中華人民共和國環境保護稅法) and Regulation on the Implementation of the Environmental Protection Tax Law of the PRC (中華人民共和國環境保護稅法實施條例) which became effective from 1 January 2018, within the territory of the PRC and other sea areas under the jurisdiction of the PRC, the enterprises, public institutions and other producers and operators that directly discharge pollutants to the environment are taxpayers of environmental pollution tax, and shall pay environmental pollution tax in accordance with the provisions of them.

Regulations on Intellectual Property

Copyright & Patent

The products in the PRC shall be subject to intellectual property laws, which mainly include the Copyright Law of the PRC (中華人民共和國著作權法) (the "Copyright Law"), and the Patent Law of the PRC (中華人民共和國專利法) (the "Patent Law"). China is also a signatory to all major intellectual property conventions, including the Paris Convention for the Protection of Industrial Property, the Madrid Agreement concerning the International Registration of Marks and Madrid Protocol, the Patent Cooperation Treaty and the Agreement on Trade-Related Aspects of Intellectual Property Rights.

Under the Copyright Law, which was promulgated on 7 September 1990 and became effective on 1 June 1991, amended on 27 October 2001 and 26 February 2010, works of Chinese citizens, legal persons or entities without legal personality, whether published or not, shall enjoy copyright in accordance with the law. The copyright shall include the right of publication, the right of authorship, the right of alternation, the right of integrity, the right of exploitation and the right to remuneration.

According to the Patent Law promulgated on 12 March 1984 and became effective on 1 April 1985 and was amended on 4 September 1992, 25 August 2000 and 27 December 2008 and which became effective on 1 October 2009, there are three types of patents, including invention patents, design patents and utility model patents. Invention patents are valid for 20 years, while design patents and utility model patents are valid for ten years, in each case commencing on their respective application dates. Persons or entities who use patents without the consent of the patent owners, make counterfeits of patented products, or engage in activities that infringe upon patent rights are held liable to the patent owner for compensation and may be subject to fines and even criminal punishment.

Pursuant to the Regulations on the Protection of Computer Software (<計算機軟件保護條例>), which was promulgated by State Council on 4 June 1991 and amended on 20 December 2001, 8 January 2011 and 30 January 2013, and the Rules for the Registration of Computer Software Copyright (<計算機軟件著作權登記辦法>), which was promulgated by the China Copyright Office and came into effective on 20 February 2002, anyone publishes, revises or translates computer software without obtaining the prior approval of the computer software copyright holders shall bear civil liability to the copyright owner because of harming the copyright.

Domain Name

The Administrative Measures for Internet Domain Names ((<中國互聯網域名管理辦法>) promulgated by the Ministry of Industry and Information Technology on 24 August 2017 and became effective on 1 November 2017, the Implementing Rules of Domain Name Registration (域名註冊實施細則) issued by China Internet Network Information Center (中國互聯網絡信息中心) (the "CINIC") which became effective on 29 May 2012, and the Measures on Domain Name Disputes Resolution (中國互聯網絡信息中心域名爭議解決辦法) issued by CINIC with effect from 1 September 2014. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration. Domain name disputes shall be submitted to institutions authorized by the CINIC for resolution.

Regulations on Foreign Currency Exchange

The principal regulation governing foreign currency exchange in the PRC is the Foreign Exchange Administration Rules of the PRC (中華人民共和國外匯管理條例) (the "Foreign Exchange Administration Rules"). It was promulgated by the State Council on 29 January 1996, became effective on 1 April 1996 and was amended on 14 January 1997 and 1 August 2008. Pursuant to the Foreign Exchange Administration Rules, the payment in and transfer of foreign exchange for current international transactions shall not be subject to the government control or restriction. Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments. Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of the SAFE for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions.

While convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loan are subject to registration with the SAFE and approval or file with the relevant governmental authorities (if necessary).

On 30 March 2015, SAFE promulgated the Circular on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment 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 "Circular No.19") to reform the management approach regarding the settlement of the foreign exchange capital of foreign-invested enterprises. Circular No.19 implemented a discretional foreign exchange settlement where the foreign exchange capital in the capital account of foreign-invested enterprises for which the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) has been handled can be settled at the banks based on the actual operation needs of the enterprises.

On 9 June 2016, the SAFE further promulgated the Circular on Relevant Issues Concerning the Reform and Regulation of the Administrative Policies of the Conversion under Capital Items (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) (the "Circular No.16"). The Circular No.16 provides that domestic enterprises (including Chinese-funded enterprises and foreign-invested enterprises, excluding financial institutions) may all settle their external debts in foreign currencies according to the method of voluntary foreign exchange settlement, the foreign exchange earnings under capital account to which the application of discretional foreign exchange settlement has been specified by relevant policies (including capitals in foreign currencies, external debts, funds repatriated from overseas listing, etc.) may be settled by banks based on the actual operating needs of domestic institutions. However, to use the converted RMB, an enterprise still needs to provide supporting documents and goes through the review process with the banks for each withdrawal. A negative list with respect to the usage of the capital and the RMB proceeds through the aforementioned settlement procedure is set forth under the Circular No.16.

Overseas Investment by Domestic Residents

Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round-tripping by Chinese Residents through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the "Circular No. 37"), which was promulgated and effective on 4 July 2014, replaces Notice on Issues relating to Foreign Exchange Administration for Financing and Round-trip Investments by Domestic Residents through Overseas Special-Purpose Companies (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知). According to the Circular No. 37, prior to making contribution to a Special-Purpose Vehicles ("SPV") with legitimate holdings of domestic or overseas assets or interests, a Mainland resident shall apply to the relevant Foreign Exchange Bureau for foreign exchange registration of overseas investment. Mainland resident individuals shall refer to Chinese citizens holding the identity cards for Mainland residents, military identity documents or identity documents for Chinese armed police force, and overseas individuals who do not hold any Mainland legal identity document, but who have habitual residences within the territory of China due to relationship of economic interests. After a SPV has completed overseas financing, if the funds raised are repatriated to the Mainland for use, relevant Chinese provisions on foreign investment and external debt management shall be complied with.

Under the relevant rules, failure to comply with the registration procedures set forth in Circular No. 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject the relevant domestic resident to penalties under PRC foreign exchange administration regulations.

On 13 February 2015, SAFE promulgated the Circular on Further Simplifying and Improving Direct Investment-related Foreign Exchange Administration Policies (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the "Circular No. 13"), which went into effect on 1 June 2015. Circular No. 13 simplifies the foreign exchange registration procedures for foreign direct investment and overseas direct investment, enables enterprises to handle it in a designated foreign exchange bank, and abolishes the capital contribution confirmation registration procedures. The foreign exchange registration procedure for direct investment is delegated to local banks which, after reviewing the documents a foreign-invested enterprise submits, will complete the registration through the online Capital Account Information System managed by SAFE.

Regulations on Labour and Safety

According to the PRC Labour Law (中華人民共和國勞動法) promulgated on 5 July 1994 and became effective on 1 January 1995 and amended on 27 August 2009, workers are entitled to fair employment, choice of occupation, labour remuneration, leave, a safe workplace, a sanitation system, social insurance and welfare and certain other rights. The working time for workers may not exceed eight hours a day and no more than 44 hours a week on average. Employers shall establish and improve their work safety and sanitation system, educate employees on safety and sanitation and provide employees with a working environment that meets the national work safety and sanitation standards.

The PRC Labour Contract Law (中華人民共和國勞動合同法) was promulgated on 29 June 2007 and became effective on 1 January 2008 and amended on 28 December 2012, and its implementation regulations were implemented on 18 September 2008. According to the Labour Contract Law, labour contracts must be executed in writing to establish labour relationships between employers and employees. Employees who fulfill certain criteria, including having worked for the same employer for 10 years or more, may demand that the employer execute a permanent labour contract. Wages paid by employers may not be lower than the local minimum wage. Both employers and employees must perform their respective obligations stipulated in the labour contracts. Where workers are provided by a staffing company, the staffing company is the employer and performs the legal obligations of an employer toward the dispatched workers, including, among others, entering into a labour contract with a fixed term of more than two years with the workers and paying remuneration for their labour. The staffing company must conclude a labour dispatch agreement with the entities that receive labour services. In the event of a violation of any legal provisions of the Labour Contract Law, administrative penalties may be imposed on employers by the competent PRC government authority in charge of labour administration, including warnings, rectification orders, fines, orders for payment of wages and compensation to employees, revocation of business licenses and other penalties. An entity receiving workers from a staffing company may be held jointly and severally liable together with the staffing company in case harm is done to workers as a result of the staffing company's violation of the Labour Contract Law.

Pursuant to the PRC Social Insurance Law (中華人民共和國社會保險法) promulgated on 28 October 2010, which became effective on 1 July 2011, employers in the PRC must register with the relevant social insurance authority and make contributions to the basic pension insurance fund, basic medical insurance fund, unemployment insurance fund, maternity insurance fund and work-related injury insurance fund. Pursuant to the PRC Social Insurance Law, basic pension insurance, basic medical insurance and unemployment insurance contributions must be paid by both employers and employees, while work-related injury insurance and maternity insurance contributions must be paid solely by employers. An employer must declare and make social insurance contributions in full and on time. The social insurance contributions payable by employees must be withheld and paid by employers on behalf of the employees. Employers who fail to register with the social insurance authority may be ordered to rectify the failure within a specific time period. If the employer fails to rectify the failure to register within a specified time period, a fine of one to three times the actual premium may be imposed. If the employer fails to make social insurance contributions on time and in full, the social insurance collecting agency shall order the employer to make up the shortfall within the prescribed time period and impose a late payment fee amounting to 0.05% of the unpaid amount for each day overdue. If the non-compliance continues, the employer may be subject to a fine ranging from one to three times the unpaid amount owed to the relevant administrative agency.

Pursuant to the Regulations on the Administration of Housing Accumulation Funds (住房公積金管理條例) 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.

Laws and Regulations Relating to PRC Taxation

Enterprise income tax

According to the Enterprise Income Tax Law (中華人民共和國企業所得稅法) (the "EIT Law") of the PRC promulgated on 16 March 2007, effective on 1 January 2008 and amended on 24 February 2017, and the Implementation Rules of Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) (the "Implementation Rules") effective on 1 January 2008, the enterprise income tax (the "EIT") for both domestic and foreign-invested enterprises shall be at the same rate of 25% effective from 1 January 2008.

Pursuant to the Circular of the State Administration of Taxation on the Issues Concerning Implementation of the Preferential Income Tax for High-Tech Enterprises (國家稅務總局關於實施高新技術企業所得稅優惠有關問題的通知) effective on 1 January 2008, any qualified high-tech enterprise after identification (re-examination) may apply for preferential enterprise income tax from the year when the approval of identification (re-examination) is valid. After acquiring the high-tech enterprise certificate issued by high-tech enterprise identification administration agencies of provinces, autonomous regions, municipalities directly under the Central Government and separately planning cities, a high-tech enterprise may hold the "high-tech enterprise certificate" and its copies and relevant materials to apply to the competent tax authority for handling the formalities of reduction or exemption of tax. Consequently, the high-tech enterprise may make pre-declaration of enterprise income tax payment or enjoy transitional preferential taxation at the tax rate of 15%.

Pursuant to the newly revised Administrative Measures for the Accreditation of High and New Technology Enterprises (高新技術企業認定管理辦法) (the "Administrative Measures") which became effective on 1 January 2016, High and New Technology enterprises, which are recognized in accordance with the Administrative Measures, may apply for the tax preferential policy in accordance with the EIT Law and the Implementation Rules thereof, the Law of PRC Concerning the Administration of Tax Collection (中華人民共和國稅收徵收管理法) and Implementing Rules of the Law of the PRC Concerning the Administration of Tax Collection (中華人民共和國稅收徵收管理法實施細則). The qualified high-tech enterprises would be taxed at a rate of 15% on EIT. The validity period of High and New Technology enterprises shall be effective for three years from the date of issuance of the certificate of High and New Technology enterprise. After obtaining the High and New Technology enterprise qualification, such enterprise shall file an annual form containing the following: intellectual property rights, scientific and technical personnel, research and development expenses, operating income and other developments in "High and New Technology enterprise management website" before the end of every May. Where a significant change occurred such as change of name or other conditions related to the High and New Technology enterprises identified (eg, separation, merger, restructuring and change of business, etc.), such enterprise should report it to the relevant competent tax authority, which would accredit such enterprise within three months. Upon such accreditation, the High and New Technology enterprise would either remain its qualification or be disqualified. For enterprises undergoing a change of name, the authority would re-issue the certificate with the certificate number and duration of validity remains unchanged.

- Pursuant to the Announcement of the State Administration of Taxation on Several Issues Concerning the Corporate Income Taxes on the Indirect Transfer of Properties 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) promulgated and with effect from 3 February 2015 ("Circular 7"), where a non-resident enterprise indirectly transfers equities and other properties of a Chinese resident enterprise ("PRC Taxable Properties") to evade its obligation of paying EIT by implementing arrangements that are not for bona fide commercial purpose, such indirect transfer shall be re-identified and recognized as a direct transfer of equities and other properties of the Chinese resident enterprise，in accordance with the provisions of Article 47 of the EIT Law. Section Two, Article Eight of the Circular No.7 was later abolished by the Announcement of the State Administration of Taxation on Matters Concerning Withholding of Income Tax of Non-resident Enterprises at Source (<國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告>) (the "**Announcement No. 37**"), which was promulgated on 17 October 2017 and became effective on 1 December 2017. PRC Taxable Properties in this announcement include properties of a PRC entity or establishment located in China, real estate in China and an equity investment in a PRC resident enterprise, that are directly held by a non-resident enterprise and proceeds from such transfer shall be subject to EIT in China in accordance with the PRC tax laws. An indirect transfer of PRC Taxable Properties refers to a transfer by a non-resident company of an equity interest or other similar right or interest in an overseas enterprise (excluding the PRC resident enterprise registered overseas) (the "Overseas Enterprises") that in turn directly or indirectly holds the PRC Taxable Properties, which effectively has the same or a similar effect as a direct transfer of such PRC Taxable Properties. Circular 7 also provides that an indirect transfer of PRC Taxable Properties, which satisfies one of the following conditions, will not be subject to the aforesaid provisions: A non-resident enterprise buys and sells the shares of one same overseas listed company in a public stock exchange; and

- If the non-resident enterprise directly held and transferred PRC Taxable Properties, the proceeds derived thereof would be exempt from EIT under the applicable tax treaty or arrangement.

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 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, amended on 5 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 usually 17% or 13% in certain limited circumstances depending on the product type. The Ministry of Finance and State Administration of Taxation (the "SAT") published a Circular on Adjusting Value-added Tax Rates (財政部、稅務總局關於調整增值稅稅率的通知) on 4 April 2018 to announce that a taxpayer engages in a taxable sales activity for the VAT purpose or imports goods, the previous applicable tax rates 17% and 11% will be adjusted to 16% and 10% respectively. This Circular has come into force since 1 May 2018.

Export Tax Rebate

According to the Provisional Regulations on VAT and the Notice of Ministry of Finance and the State Administration of Taxation on the Policies of Value-added Tax and Consumption Tax Applicable to Exported Goods and Services (財政部、國家稅務總局關於出口貨物勞務增值稅和消費稅政策的通知) which promulgated on 25 May 2012, and amended on 1 January 2015, goods and services exported by export-oriented enterprises shall be eligible for VAT exemption and refund policies. In accordance with the regulations on the export tax rebate rate, export commodities have different tax rebate rates depending on the different types.

Pursuant to the Measures for the Administration of Tax Refund (Exemption) of Exported Goods (For Trial Implementation) (出口貨物退(免)稅管理辦法(試行)) effective on 1 May 2005, for the goods as exported by an exporter on his own or by means of entrustment, except those concerning which there are otherwise provisions, the exporter thereof may, after the declaration of goods export and the conclusion of financial settlement for sales, make a report to the local state taxation bureau for the approval of refund or exemption of his value-added tax (VAT) or consumption tax on the strength of the relevant certificates.

Laws and Regulations Relating to Dividend Distribution

Under the Law of the PRC on Wholly Foreign-Owned Enterprises (中華人民共和國外資企業法), which was promulgated by the National People's Congress of the PRC in 1986 and revised by the Standing Committee of National People's Congress on 31 October 2000 and 3 September 2016, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly foreign-owned enterprises in China are also required to allocate at least 10% of their respective accumulated profits after tax each year, if any, to certain reserve funds unless these accumulated reserves have reached 50% of the registered capital of such enterprises. These reserves are not distributable as cash dividends.

According to the EIT Law and its implementing rules, dividends paid to investors of an eligible PRC resident enterprise can be exempted from EIT and dividends paid to foreign investors are subject to a withholding tax rate of 10%, unless relevant tax agreements entered into by the PRC government provide otherwise.

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Incomes (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) (the "Arrangement") on 21 August 2006. According to the Arrangement, 5% withholding tax rate shall apply to the dividends paid by a PRC company to a Hong Kong resident, provided that such Hong Kong resident directly holds at least 25% of the equity interests in the PRC company, and 10% of withholding tax rate shall apply if the Hong Kong resident holds less than 25% of the equity interests in a PRC company.

Pursuant to the Circular on Relevant Issues Relating to the Implementation of Dividend Clauses in Tax Treaties (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 where a fiscal resident of the other party to a tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a Chinese resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the 12 months prior to obtaining the dividends, reach a percentage specified in the tax agreement.

According to the Administrative Measures for Non-resident Taxpayers to Enjoy Treatments under Tax Treaties (<非居民納稅人享受稅收協定待遇管理辦法>) (the "**Administrative Measures**"), which was promulgated on 27 August 2015 and came into force on 1 November 2015, if the non-resident taxpayers are qualified for enjoying the favorable tax benefits under the tax arrangements, they could enjoy such benefits of themselves from the tax authority when they or their withholding agents make declarations to the relevant tax authority. Under the Administrative Measures, when the non-resident taxpayers or their withholding agents make declarations to the relevant tax authority, they should deliver the relevant reports and materials to the tax authority and such non-resident taxpayers and withholding agents will be subject to the follow-up management of the tax authority.

Transfer Pricing

According to the EIT Law and the Implementation Regulations for Special Tax Adjustments (Trial) (特別納稅調整實施辦法(試行)) (the "**STA Rules**") effective on 1 January 2008, transactions in respect of the purchase, sale and transfer of products between, amongst others, enterprises under direct or indirect control by the same third party are defined as related party transactions.

According to the EIT Law and STA Rules, related party transactions should comply with the arm's length principle and if the related party transactions fail to comply with arm's length principle results in the reduction of the enterprise's taxable income, the tax authority has the power to make an adjustment following certain procedures.

Pursuant to the Announcement of the State Administration of Taxation on Relevant Matters relating to Improvement of the Filing of Related-Party Transactions and the Management of Contemporaneous Documentation (國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告) effective on 29 June 2016, any resident enterprise subject to audit collection and any non-resident enterprise which has establishments or offices in China and honestly reports and pays enterprise income tax shall, in filing a tax return for the annual enterprise income tax with a tax authority, make related filings with regard to its business transactions with any related party and attach thereto the Annual Report on the Related- party Transactions of Enterprises of the People's Republic of China (2016 version). Enterprises shall prepare contemporaneous documentation based on a tax year, and submit contemporaneous documentation for the related-party transactions according to the requirements of tax authorities.

Pursuant to the Administrative Measures for Special Tax Adjustment and Investigation and Mutual Consultation Procedures (特別納稅調查調整及相互協商程序管理辦法) (the "**STA Measures**") effective on 1 May 2017, the tax authorities exercise special tax adjustment monitoring and management of enterprises via review of the reporting of connected transactions, management of contemporaneous documentation, profit level monitoring and other means. When any enterprises are found to have special tax adjustment risks, they will send a Notice of Tax Matters to the enterprise, suggesting the existence of a tax risk. An enterprise may adjust and pay taxes at its own discretion when it receives a special tax adjustment risk warning or identifies its own special tax adjustment risks. The tax authorities may also carry out special tax investigation and adjustment in accordance with the relevant provisions in regard to enterprises that adjust and pay taxes at their own discretion.

M&A Rules and Overseas Listings

On 8 August 2006, six PRC governmental and regulatory agencies, including MOFCOM and the CSRC, promulgated the Regulations on Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "M&A Rules"), a new regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on 8 September 2006 and amended on 22 June 2009.

According to the M&A Rules, if any domestic company, enterprise or natural person merges its affiliated domestic company in the name of a company legally established or controlled by the aforesaid domestic company, enterprise or natural person in foreign countries or regions, it shall be subject to the approval of the MOFCOM. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

UNITED STATES LAWS & REGULATIONS

Businesses operating in the United States are subject to many governmental standards and regulations. The governmental standards and regulations that are expected to be material to our manufacturing operations and product exports into the United States will be those that relate to product safety, environmental protection, export controls and customs and import procedures and are described below.

Import Tariffs and Duties

The United States does not currently impose any duties on mobile handset devices, other than those derived directly or indirectly from Cuba or North Korea. Nor are there provisions of the U.S. laws dealing with fairly priced imports (Sections 201 through 204 of the Trade Act of 1974 (also known as the "safeguard" provision)), antidumping laws, countervailing duty laws, or Section 337, which covers imports that violate U.S. intellectual property laws, that currently limit imports of mobile handset devices.

Pursuant to Section 301 of the Trade Act of 1974, the President is authorised to take all measures necessary to eliminate foreign government practices that are unjustifiable (including actions that violate trade agreements), discriminatory, or unreasonable, and that burden and restrict U.S. commerce. It is possible that in the near future the United States may take other trade-related actions that could affect imports of mobile handset devices, all related to alleged unfair trade practices of China.

On 20 June 2018, President Trump's Office of the United States Trade Representative self-initiated a complaint under Section 301 of the Trade Act of 1974 aimed at a number of Chinese practices related to technology transfer, intellectual property, and innovation. A trade value of $34 billion is covered by this proposed action, which calls for the imposition of an additional *ad valorem* duty of 25 percent on certain imported products from China. The stakes were raised significantly on 10 July 2018, when President Trump announced tariffs of 10 percent on an additional $200 billion in Chinese exports to the United States, and he has announced plans for an additional $200 billion of goods from China to be covered by U.S. tariffs.

However, as advised by our U.S. Legal Advisers, given the Group's products are exported to the customers in the U.S. through shipment on a freight-on-board (FOB) basis or Free Carrier Hong Kong (FCA HK) basis, and thus the Group does not directly import any products into the U.S., the U.S. tariff regulations do not apply directly to the Group. Instead, it is the importer or record who would be responsible for paying the duties.

United States Product Liability Law

Product-liability exposure is a key consideration that every foreign product manufacturer must analyze and consider when doing business in the United States market. In the United States, each of its states has its own laws which generally impose liability on all manufacturers and retailers (and parties in the supply chain) for injuries that result from unsafe, defective and dangerous products sold to consumers. The term "*product liability*" refers to the legal liability of manufacturers and sellers to compensate buyers, users, and even bystanders for damages or injuries suffered because of defects in goods purchased. In addition, United States federal laws and regulations (for example, the Consumer Product Safety Improvement Act of 2008) can obligate manufacturers and retailers (and parties in the supply chain) to remedy product defects, which can include safety recall campaigns.

In the United States, there are two separate and distinct aspects that govern liability with respect to products. The first primary body of law that governs the manufacture, distribution and sale of products is known as product liability law ("**Products Liability Law**"). There is no federal Product Liability Law in the United States. Therefore, the law of each state determines the liability of product manufacturers. While several states have passed comprehensive statutes, most state Product Liability Law is based on common law. Although state law varies, there are many similarities among the jurisdictions. Manufacturers, however, should be aware of the intricacies of the Product Liability Law in the states in which they do business. In application, Products Liability Law governs private litigation of product accidents. It operates *ex post*, meaning it is a body of law that govern after a product accident has already occurred.

Products Liability Law sets out the full range of legal responsibilities of manufacturers, distributors and sellers of products. Parties involved in selling or distributing a product are subject to liability for harm caused by a defect in that product. Generally speaking, any and all entities in the supply chain of a product can potentially be held liable. This includes manufacturers of component parts (at the top of the chain), assembling manufacturers, the wholesalers, and the retail store owners (at the bottom of the chain).

Types of Claims

Product liability claims may be based on breach of warranty, negligence or strict liability. A litigant is not limited to one theory in bringing a lawsuit, but rather can assert any and all theories simultaneously. Further, all of these theories have broad application to a vast array of products — including electrical and electronic products.

Claims based on the breach of an express or implied warranty are generally governed by Article 2 of the Uniform Commercial Code ("**UCC**"), which has been adopted in similar form in every state other than Louisiana. The UCC provides remedies when a product fails to satisfy express representations, is not "*merchantable*," or is unfit for its particular purpose. In the simplest of terms, a warranty is a promise, claim, or representation made about the quality, type, number or performance of a product. In general, the law assumes that a seller always provides some kind of warranty concerning the product. Under the UCC, there are two kinds of warranties: express and implied. An express warranty can be created by a representation by the seller, or by showing a sample of a product to the buyer where the buyer reasonably assumed that a second shipment of the same quality as the first would be provided. An implied warranty, on the other hand, is presumed to exist unless the buyer clearly and unambiguously disclaims it in writing as part of the sales agreement.

Strict products liability is generally the most common cause of action asserted in lawsuits involving allegedly defective products. Strict liability claims do not depend on the degree of care exercised by the defendant because the theory of strict liability focuses on the product defect rather than the manufacturer's conduct. The analysis depends solely on the product and whether it was defective at the time it left the hands of the manufacturer. A product can be defective in its manufacture, that is the product does not conform to design specifications or performance standards, or it deviated in some material way from otherwise identical units of the same product line. A product can also be defective in its design. A product has a design defect when its design or configuration is what makes it unreasonably dangerous. Finally, a product can be defective because it lacks proper warning or instructions. These are generally called failure to warn claims.

With strict products liability, it is irrelevant whether the manufacturer or supplier exercised all due care in the design, manufacture, or marketing of the product; if there is a defect in the product that causes harm, he or she will be liable for it. Thus, strict product liability is liability without fault for an injury proximately caused by a product that is defective and not reasonably safe.

Negligence actions, on the other hand, require a plaintiff to show that (i) the defendant owed the plaintiff a duty of due care, (ii) the defendant breached that duty by furnishing a defective product, and (iii) the defendant's breach caused the plaintiff's injury. The analysis focuses on the acts or omissions of the manufacturer of the product. The duty to exercise reasonable care involves every phase of getting the product to the public. The product must be inspected and tested at appropriate stages in the manufacturing, distribution and selling process. The product must be made from appropriate (safe and non-defective) materials, comply with all applicable rules and regulations, and assembled with appropriate care to avoid against its negligent manufacture. The product's container or packaging must be adequate (and not itself dangerous or defective), and contain appropriate warnings and directions for use. An otherwise non-defective product can be made unsafe by the failure to provide adequate instructions for its safe use.

In a negligence claim, the defendant can be held liable for failing to use due care. Strict liability claims, however, do not depend on the degree of care exercised by the defendant. Strict liability focuses on product defect rather than a manufacturer's conduct. In every claim based on strict liability, the claimant must establish that the product was defective. There are three types of product defects:

- *Design Defects*. A product is defectively designed when both the foreseeable risks presented by the product could have been reduced or avoided by employing an alternative design, and failure to use an alternative design renders the product unreasonably dangerous. Generally, the claimant has the burden of proving that a reasonable alternative design was available at the time of distribution.
- *Manufacturing Defects*. Unlike a design defect, a manufacturing defect does not depend on the design specifications of a product. Instead, a product has a manufacturing defect when it fails to meet its intended design specifications, despite the exercise of due care. The claimant must usually prove that the product was defective when it left the manufacturer's hands. If a defect arises during shipment or storage, a distributor in the chain of commerce can be held liable, just as if the product were defectively manufactured.
- *Warning Defects*. A product contains a warning defect when both the foreseeable risks of the product could have been reduced or avoided by providing reasonable warnings or instructions, and due to the absence of such information, the product is unreasonably dangerous. While most warnings are generated by manufacturers, sellers and distributors must provide warnings when doing so is reasonable. Claimants must prove that adequate warnings or instructions were not provided.

Finally, injured claimants may also bring claims based on fraud or tortious misrepresentation. Tortious misrepresentation is similar to warranty in that it seeks to hold a party liable for misrepresenting a material fact about the product which causes either damage or injury. The rules governing fraud and tortious misrepresentation are generally derived from case law and vary from jurisdiction to jurisdiction.

Available Defenses

Defenses, like the product liability claims themselves, are a matter of state law. Therefore, defenses can vary from jurisdiction to jurisdiction.

- *Contributory Negligence/Comparative Fault.* Under contributory negligence, a claimant is barred from recovery if his own negligence caused or contributed to his injury. However, most jurisdictions have abandoned contributory negligence in favor of comparative fault. Under comparative fault, a claimant's recovery is reduced if his own negligence (or fault) contributed to his injury.
- *Assumption of the Risk.* In some jurisdictions, a claimant may also be barred from recovery if he is aware of a product defect and the accompanying dangers, but uses the product anyway. The assumption of the risk defense is based on what the claimant actually knew, not what a reasonable person would have known.
- *Intervening/Superseding Cause.* If a claimant's injury was caused by the intervening conduct of another and that conduct is also a superseding cause, a defendant may avoid

liability in most jurisdictions. An intervening act is a superseding cause when a manufacturer could not reasonably be expected to protect against things such as: (i) criminal acts; (ii) use of a product in an unforeseeable manner; (iii) alteration of the product; (iv) negligent use; and/or (v) failure to properly maintain a product.

- *State of the Art.* If a manufacturer can establish that a product was manufactured according to the current state of scientific and technical knowledge in the relevant field (that is, the product is "*state of the art*"), that evidence can be used to show the manufacturer acted with due care. State of the art evidence is also relevant to warning issues. Claimants must show that the defendant failed to provide reasonable and adequate warnings in accordance with the current state of medical or scientific knowledge. This evidence may also be key to design defect claims in jurisdictions where the claimant must demonstrate the existence of a safer alternative. However, state of the art evidence is not admissible in every jurisdiction.

Product Safety Laws & Regulations

Several United States federal agencies are responsible for regulations pertaining to electrical and electronic products:

Agency	**Scope**
Consumer Product Safety Commission ("**CPSC**")	Children's products, hazardous substances, labeling of hazardous products, consumer product safety
Customs and Border Protection ("**CBP**")	Country of origin for most imported products
Department of Energy ("**DOE**")	Energy efficiency
Environmental Protection Agency ("**EPA**")	Toxic substances, Energy Star
Federal Communications Commission ("**FCC**")	Radio frequency and digital devices
Federal Trade Commission ("**FTC**")	Labeling, Energy Guide standards, environmental claims

Consumer Product Safety Commission

Another body of law which is applicable to the products we ship to the United States is commonly referred to as "*product safety law*." The law of product safety is regulatory law and is governed primarily by the United States Consumer Product Safety Commission ("**CPSC**"), an administrative agency of the United States federal government that regulates certain classes of products sold to the public.

Consumer Product Safety Act

The Consumer Product Safety Act, entered into law on October 27, 1972 ("**CPSA**"), was enacted to establish the CPSC and define its authority with the purpose of protecting the public against unreasonable risks of injury associated with consumer products, assisting consumer in evaluating the comparative safety of consumer products, developing uniform standards for consumer products, and promoting research and investigation into the causes and prevention of product-related deaths, illnesses, and injuries. Power-related and electrical electronic products fall under its jurisdiction. Product safety law operates *ex ante*, meaning that it seeks to prevent product-caused accidents and diseases before they occur.

Consumer Product Safety Improvement Act of 2008

The Consumer Product Safety Improvement Act of 2008 ("**CPSIA**") was passed by Congress in 2008, and subsequently amended in 2011. The CPSIA constituted a significant overhaul of consumer product safety laws in the United States and was designed to enhance federal and state efforts to improve the safety of all products imported into and distributed in the United States. Products imported into the United States which fail to comply with CPSIA's requirements (such as limits on lead content) are subject to confiscation and the importer and/or distributor in the United States is subject to civil penalties and fines, as well as possible criminal prosecution. However, while the CPSC works closely with United States customs agents, its jurisdiction does not extend beyond the territorial limits of the United States.

The CPSIA requires every manufacturer or importer of all consumer products that are subject to a consumer product safety rule enforced by the CPSC to issue a general certificate of conformity based on testing of the product and stating that the product complies with the applicable standard, regulation, or ban. Under the CPSIA, a "*general conformity certification*" is required for any consumer product imported into the U.S. that is subject to a consumer product safety rule issued under the CPSA, or a similar rule, standard, regulation, or ban issued by the CPSA or under any statute issued by the CPSC. The requirement applies to all manufacturers and importers of goods. Those parties must test certain products and certify that their products comply with all applicable consumer product safety rules and similar rules, bans, standards, and regulations under any law administered by the CPSC. Such laws include, without limitation, the CPSA, the Flammable Fabrics Act, the Federal Hazardous Substance Act, and the Poison Prevention Act.

The CPSIA specifies that certification must be based on a "*test of each product or a reasonable testing program*." The certificate must accompany the product or shipment of products, and a copy must be furnished to each distributor or retailer. The certification must also be furnished to United States Customs. And, if requested by the commission, a copy must be furnished to the CPSC. Where there is more than one manufacturer or importer for a product, the party providing the certification should be the importer for imported products.

Customs and Border Protection

The Customs and Border Protection agency requires all products imported into the United States to confirm to certain "*Country of Origin Marking*" regulations. These regulations require that every article of foreign origin (or its container) imported into the United States be marked in a conspicuous place as legibly, indelibly, and permanently as the nature of the article (or its container) will permit, in such a manner as to indicate to an ultimate purchaser in the United States, the English name of the country of origin of the article at the time of importation.

United States Department of Energy

The United States Department of Energy enacted the Energy Policy and Conservation Act ("**EPCA**") for the promotion of energy conservation. With respect to electrical and electronic products, the EPCA prescribes test procedures to measure energy efficiency, energy use, water use, or estimated annual operating cost of a covered product during a representative annual use cycle or period of use as well as charging the Federal Trade Commission with the responsibility of establishing labeling requirements. Under the EPCA, it is unlawful for a manufacturer or private labeler to distribute into commerce any new product covered under the EPCA, unless the product is labeled in accordance with the rules and it conforms to a specified applicable energy conservation standard, except to the extent that the product is covered by a regional standard that is more stringent than the base national standard; remove or make required labeling illegible; knowingly sell a product that violates regional standards.

Environmental Protection Agency

Toxic Substance Control Act

The Toxic Substance Control Act ("**TSCA**") provides the United States Department of Energy and the Environmental Protection Agency ("**EPA**") with authority to require reporting, record-keeping and testing requirements, and restrictions relating to chemical substances and/or mixtures. Certain substances are generally excluded from the TSCA, including, among others, food, drugs, cosmetics and pesticides.

Mercury-Containing and Rechargeable Battery Management Act

The purpose of the Mercury-Containing and Rechargeable Battery Management Act ("**Act**") is to phase out the use of mercury in batteries and facilitate the collection and recycling of nickel-cadmium rechargeable, small sealed lead-acid rechargeable, and other regulated batteries. Regulated batteries include those containing cadmium and/or lead electrodes or other batteries subject to a determination by the Administrator of the EPA. The Act requires that regulated batteries are easily removable from rechargeable consumer products or sold separately. In addition, the Act establishes labeling requirements for regulated batteries and rechargeable products without easily removable batteries, including a three chasing arrows or comparable recycling symbol, as well as statements dependent on the battery and product type. The Act prohibits the sale of alkaline-manganese batteries to which mercury has been intentionally introduced, except for alkaline-manganese button cells, which are limited to 25 milligrams of mercury per button cell; zinc-carbon batteries containing intentionally introduced mercury; and button cell mercuric-oxide batteries.

Federal Communications Commission

The Federal Communications Commission ("**FCC**") regulates all communications by radio, television, wire, satellite, and cable in the United States. The FCC's mandate is to regulate private sector telecommunications in the public interest. They do this by establishing technical regulations for transmitters and other devices that generate or use radio frequency ("**RF**") energy to minimize their potential for causing interference. The FCC establishes procedures for products that use or emit radio frequency energy.

Electronics create radio frequency energy by themselves, either intentionally (e.g. Wi-Fi enabled tablets, mobile phones and global positioning system ("**GPS**") receivers) or unintentionally (e.g. power supplies). Therefore, the FCC scope of regulations also apply to most consumer electronics and electrical equipment, and not only products intentionally transmitting radio waves. In general, there are two classifications related to electronics set by the FCC:

- *Intentional Radiators* - An "*intentional radiator*" is a device that is intended to emit radio energy. This includes, among many other products, mobile phones, tablet PCs, GPS receivers, Wi-Fi routers, "*walkie-talkies*" and Bluetooth headsets — essentially any item that transmits radio waves. Products that fall within one, or more, of the following definitions, are likely classified as an intentional radiator: (i) radio enabled, (ii) Wi-Fi-enabled, (iii) Bluetooth enabled, and/or (iv) broadcast equipment. Compliance with FCC regulations is mandatory when importing products classified as intentional radiators, and must therefore undergo an equipment authorization procedure.
- *Unintentional Radiators* - An "*unintentional radiator*" is, in 47 CFR 15.3, defined as any electrical device "*operating at over 9000 pulses per second (9 kHz) and using digital techniques*". This definition includes most consumer electronics containing a chip, such as USB enabled devices, even if not equipped with a Wi-Fi or Bluetooth transmitter.

There are various certification procedures put forth by the FCC. The certification processes are Verification, Declaration of Conformity, and Certification. Verification is a self-approval process where any capable testing facility can test a device to ensure the product complies with appropriate requirements. Declaration of Conformity requires a product be tested by an accredited, FCC recognized laboratory to ensure that the product complies with the requirements. Certification is an equipment authorization issued by an independent entity recognized by the FCC to approve products within their scope of recognition. These entities, known as Telecommunication Certification Bodies, approve products to the FCC requirements. Products approved under the Certification process are identified by FCC identification number.

The supplier is, for certain products, allowed to issue an FCC Verification of Compliance based on their own compliance testing. As said, this is limited to specific products, and not applicable to all items. Many other products must pass an equipment authorization procedure performed by an authorized third party. Before importing electronics to the United States, manufacturers need to confirm which Equipment authorization procedure applies to its product(s). Generally speaking, third party testing is not entirely unnecessary, even a product is not required to be submitted to a third party, and unless the manufacturer has the expertise and equipment to verify that the product is compliant with all applicable FCC regulations, it is best practice to engage a third-party testing company do it for the manufacturer.

It is important to understand that an FCC Declaration of Conformity, or FCC Verification of Conformity, only applies to a specific device, and not the manufacturer itself. Therefore, importers must not only verify that the manufacturer/supplier has an extensive compliance track record, but also that the specific products to be imported are each documented. Thus, the compliance rate within a supplier/manufacturer may also vary. While some manufacturers can show extensive documentation, others can only show certificates for one or a few products. A Declaration of Conformity is only valid to the specific component set up used at the time of testing. The radiation level can be affected, to a varying degree, if the supplier decides to change components.

Most FCC regulated products must also comply with the applicable United States labeling requirements. As with the certification procedure, different labelling requirements apply depending on the product, and whether its classified as an intentional or unintentional radiator. Typically, the FCC label is permanently affixed to the product unit (i.e. no stickers or temporary labels). However, recent changes to this rule will allow businesses to label the items digitally (e.g. in the software), rather than printing the FCC logo, or compliance statement, on the product unit.

Finally, the FCC imposes significant non-compliance penalties for failures to comply with its requirements, which may include, without limitation, cash penalties, cease and desist orders, fines and/or imprisonment. The company importing the items is responsible to ensure compliance with all applicable regulations. The only way to be sure that the items comply with all applicable FCC rules is by submitting samples to a third-party testing company, which is, as specified above, also mandatory when importing wide range of products.

Federal Trade Commission

The Federal Trade Commission Act (the "**FTC Act**") broadly prohibits unfair or deceptive acts or practices in or affecting commerce. The Federal Trade Commission ("**FTC**") will find deception if, either by the inclusion or exclusion of information, it is likely to mislead consumers acting reasonably under the circumstances, or affect the consumer's choice or conduct, thereby leading to injury. The FTC Act allowed the FTC to enact several related acts and regulations intended to prohibit unfair or deceptive acts or practices.

Other United States Laws & Requirements

State Regulatory Frameworks

In addition to the United States' federal regulatory framework discussed above, a growing number of areas are covered by both state and federal statutes, including consumer protection, employment, and food and drug regulation. Generally, state laws give way to stricter federal laws that address the same issue. When a state's Governor signs the bill, it becomes a state law. Once a law has been enacted by a state, it is the responsibility of the appropriate state agency to create the regulations necessary to implement the law. However, in the United States, some state laws and regulations are enacted which are more stringent that the federal laws. These laws include regulations for product labeling, packaging, and chemical restrictions, among other issues. The State of California is heavily regulated for many consumer products.

Finally, it is important to understand that the foregoing is a summary provided for general informational purposes and is not exhaustive or a complete description of all of the laws, rules and regulations that may be applicable to a particular product being imported into the United States. Depending on the nature of the product, various other United States laws, including without limitation, the CPSA, the Poison Prevention Act, as well as various other standards, guides, limitations, and bars, including without limitation, the Ban of Extremely Flammable Contact Adhesives, the Bans of Consumer Patching Compounds and Artificial Emerizing Materials Containing Respirable Free-Form Asbestos, the restrictions and limitations regarding Lead content, the Small Parts Regulation Business Guidance, the Bans of Butyl Nitrite and Volatile Alkyl Nitrite, and the CPSC's Staff's Strong Sensitizer Guidance Document.

Dodd-Frank Wall Street Reform and Consumer Protection Act

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "**Dodd-Frank Act**") mandated that the United States Securities and Exchange Commission (the "**SEC**") issue a rule requiring companies to disclose whether they source certain minerals — tin, tantalum, tungsten and gold — from Central Africa (the Democratic Republic of Congo and adjoining countries) to dissuade industries from purchasing minerals that had been mined under conditions of violence and armed conflict.

Disclosing the Use of Conflict Minerals

In 2010, the United States Congress ("**Congress**") passed the Dodd-Frank Act, which directs the Commission to issue rules requiring certain companies to disclose their use of conflict minerals if those minerals are "*necessary to the functionality or production of a product*" manufactured by those companies. Under the Dodd-Frank Act, those minerals include tantalum, tin, gold or tungsten. Congress enacted Section 1502 of the Dodd-Frank Act because of concerns that the exploitation and trade of conflict minerals by armed groups is helping to finance conflict in the region identified as the Democratic Republic of Congo and adjoining countries (the "**DRC**") and is contributing to an emergency humanitarian crisis. Section 1502 of the Dodd-Frank Act amends the Securities and Exchange Act of 1934, as amended, to add Section 13(p). The final rule applies to a company that uses minerals including tantalum, tin, gold or tungsten if:

- The company files reports with the SEC under the Exchange Act.
- The minerals are "*necessary to the functionality or production*" of a product manufactured or contracted to be manufactured by the company.

The final rule requires a company to provide the disclosure on a new form to be filed (Form SD) with the SEC. If any conflict minerals are necessary to the functionality or production of a product manufactured by a company or contracted by a company to be manufactured and are required to be reported in the calendar year covered by the specialized disclosure report, the company must conduct in good faith a reasonable country of origin inquiry regarding those conflict minerals that is reasonably designed to determine whether any of the conflict minerals originated in the DRC or an adjoining country, or are from recycled or scrap sources.

Based on its reasonable country of origin inquiry, if a company determines that its necessary conflict minerals did not originate in the DRC or an adjoining country or did come from recycled or scrap sources, or if it has no reason to believe that its necessary conflict minerals may have originated in the DRC or an adjoining country, or if based on its reasonable country of origin inquiry a company reasonably believes that its necessary conflict minerals did come from recycled or scrap sources, the company must, in the body of its specialized disclosure report under a separate heading entitled "*Conflict Minerals Disclosure*," disclose its determination and briefly describe the reasonable country of origin inquiry it undertook in making its determination and the results of the inquiry it performed. Also, the company must disclose this information on its publicly available Internet website and, under a separate heading in its specialized disclosure report entitled "*Conflict Minerals Disclosure*," provide a link to that website.

Alternatively, based on its reasonable country of origin inquiry, if a company knows that any of its necessary conflict minerals originated in the DRC or an adjoining country and are not from recycled or scrap sources, or has reason to believe that its necessary conflict minerals may have originated in the DRC or an adjoining country and has reason to believe that they may not be from recycled or scrap sources, the company must exercise due diligence on the source and chain of custody of its conflict mineral, that conforms to a nationally or internationally recognized due diligence framework, if such a framework is available for the conflict mineral. If, as a result of that due diligence, a company determines that its conflict minerals did *not* originate in the DRC or an adjoining country or the registrant determines that its conflict minerals *did* come from recycled or scrap sources, a Conflict Minerals Report is not required, but the company must disclose its determination and briefly describe, in the body of its specialized disclosure report under a separate heading entitled "*Conflict Minerals Disclosure*," the reasonable country of origin inquiry and the due diligence efforts it undertook in making its determination and the results of the inquiry and due diligence efforts it performed. Also, a company must disclose this information on its publicly available Internet website and, under a separate heading in its specialized disclosure report entitled "*Conflict Minerals Disclosure*," provide a link to that website. Otherwise, the company must file a Conflict Minerals Report as an exhibit to its specialized disclosure report and provide that report on its publicly available Internet website. Under a separate heading in its specialized disclosure report entitled "*Conflict Minerals Disclosure*," the company must disclose that it has filed a Conflict Minerals Report and provide the link to its Internet website where the Conflict Minerals Report is publicly available.

MEXICAN LAWS AND REGULATIONS

Based on the current business model, in which the Company does not have any presence nor conducts any business in Mexico, and in terms of the current applicable laws in Mexico, Mexican laws are not applicable to the Company.

The information that appears in this section has been prepared by Frost & Sullivan and reflects its estimate of market condition based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Frost & Sullivan should not be considered as the opinion of Frost & Sullivan as to the value of any security or the advisability of investing in the Company. Our Directors believe that the sources of information contained in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading.

The information prepared by Frost & Sullivan and set out in this section has not been independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters or any other party involved in the Share Offer and accordingly it should not be relied upon in making, or refraining from making, any investment decision.

Our Group had commissioned Frost & Sullivan to provide information on the global electronics market and the electronics manufacturing service market in the PRC. We had agreed to pay a fee of RMB560,000 to Frost & Sullivan for the report. Our Directors are of the view that the payment does not affect the fairness of the views and conclusions presented in the Frost & Sullivan Report, company reports, independent research reports and data based on its own research database.

RESEARCH METHODOLOGY

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan conducted primary research including interviews with industry experts and participants and secondary research which involved reviewing the statistics published by the government official statistics, industry publications, annual reports and data based on its own database. Frost & Sullivan presented the figures for various market size projections from historical data analysis plotted against macroeconomic data, as well as data with respect to the related industry drivers and integration of expert opinions. Frost & Sullivan assumed that in the PRC: (1) the economy is likely to maintain steady growth in the next decade; (2) the social, economic and political environment is likely to remain stable in the forecast period, which ensures the stable and healthy development of electronics manufacturing service industry; and (3) there will be no wars or large scale disasters during the forecast period.

ABOUT FROST & SULLIVAN

Frost & Sullivan is an independent global consulting firm founded in 1961. It offers industry research, market strategies and provides growth consulting and corporate training in various industries. The Frost & Sullivan Report includes information on data of the global electronic products market and the PRC electronics manufacturing service market.

OVERVIEW OF ELECTRONIC PRODUCTS MARKET IN THE PRC

Definition and Classification of Electronic Products

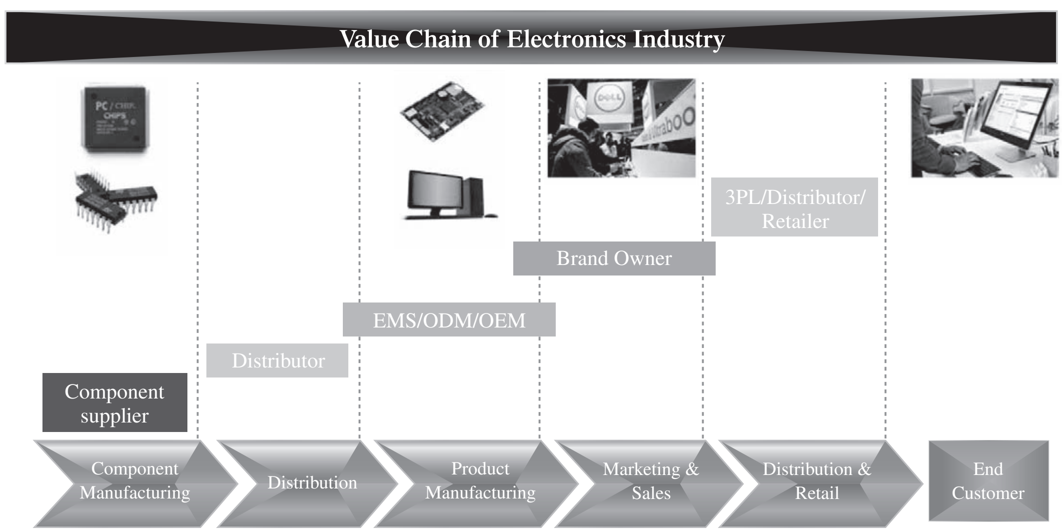
An electronic product is a manufactured or assembled product which contains or functions as part of an electronic circuit. According to various application areas, electronic products can be categorized as following:

- *Computer and storage:* Computer and storage products generally include computers and related accessories and parts such as keyboards, mouses, storage devices, and etc.
- *Telecommunications:* Telecommunication products generally refer to various devices that enable communication between different parties over distance, such as mobile phones, telephones, radios, transmission equipment, and etc.
- Automotive electronics: Automotive electronics refer to electrically-driven components used in vehicles and are generally categorized into four systems, namely body control system, power-train system, safety system and infotainment system.
- Consumer electronics: Consumer electronics refer to electronic products intended for purchase and use by consumers, rather than for industrial purposes, such as DVDs and MP3 players, stereo components, cameras, smart devices, and etc.

- Industrial electronics: Industrial electronics refer to electronic products intended for industrial use, such as process control systems, analytical instruments, test & measuring instruments, and etc. ATM and mPOS are also included in this category.
- Medical electronics: Medical electronics are electronic instruments and equipment used for medical applications such as diagnosis, therapy, research, anesthesia control, cardiac control, surgery, and etc.
- PV modules: A photovoltaic (PV) module is a packaged, connect assembly of typically 6x10 photovoltaic solar cells. PV modules constitute the photovoltaic array of a photovoltaic system that generates and supplies solar electricity in commercial and residential applications.

Value Chain of Electronic Products Industry

The electronics industry is generally comprised of three groups of players: brand owners, contract manufacturers and component suppliers. Brand owners subcontract and outsource a considerable amount of their manufacturing activities and use a range of suppliers for parts and components. Contract manufacturers are also classified as electronic manufacturing service providers (EMS), original equipment manufacturers (OEM) and original design manufacturers (ODM), depending on their activities.



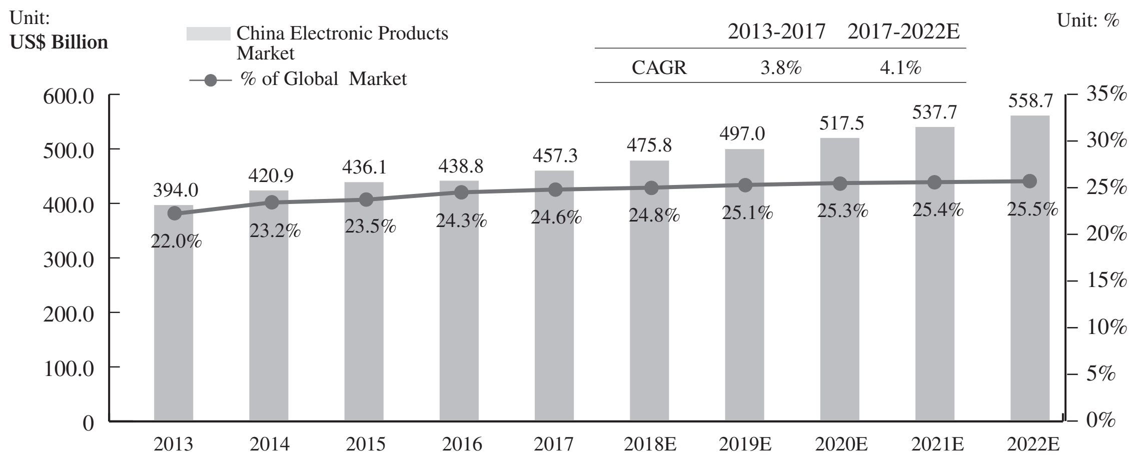
Source: Frost & Sullivan

Market Size of Electronic Products Market

China has overtaken the U.S. as the world's largest electronic products market in terms of sales value since 2015. Sales value of electronic products market in China has grown from US$394.0 billion in 2013 to US$457.3 billion in 2017 with a CAGR of 3.8%. Meanwhile, the percentage of China's share in global market increased from 22.0% to 24.6% from 2013 to 2017.

It is forecast that sales value of electronics products market in China will reach US$558.7 billion in 2022 with a CAGR of 4.1% from 2017 to 2022, and till then China will account for 25.5% of the entire global market in terms of sales value.

Sales Value of Electronic Products Market in China, 2013-2022E



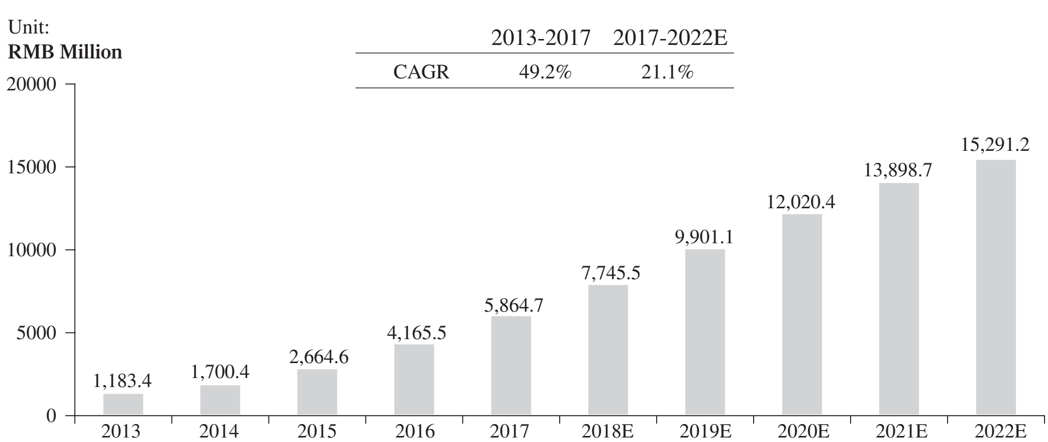
Source: Yearbook of World Electronics Data, Frost & Sullivan

Market Demand Analysis for Selected Electronic Products

mPOS

The sales of mPOS terminal in China had grown to RMB5,864.7 million in 2017, with a CAGR of 49.2% from 2013 to 2017. The market growth is primarily fuelled by the increasing adoption of mPOS solution due to lower cost and convenience, and also driven by government policy ("Notice on Promoting E-commerce Development" (關於推動電子商務發展有關工作的通知) released in 2016). The sales of mPOS terminal in China is expected to reach RMB15,291.2 million in 2022, representing a CAGR of 21.1% from 2017 to 2022.

Sales of mPOS Terminal in China, 2013-2022E

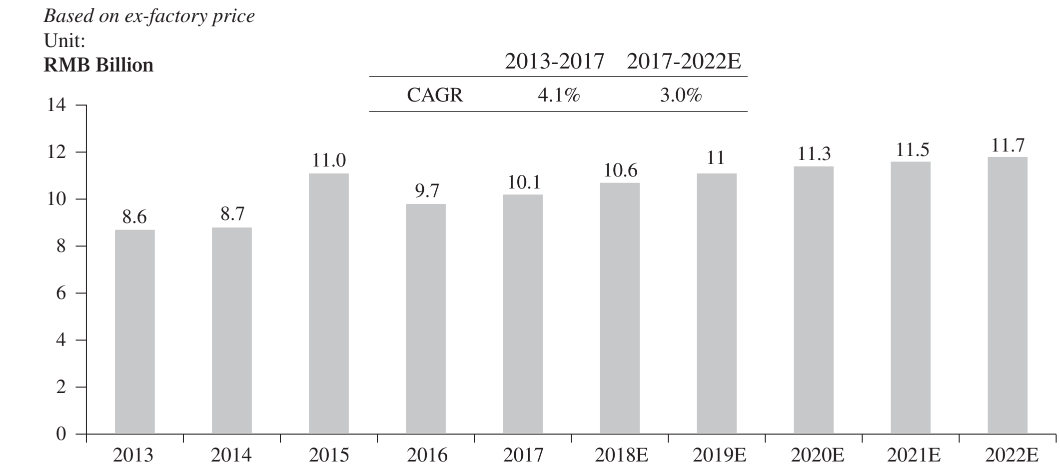


Source: Frost & Sullivan

ATMs

The sales of ATMs in China has experienced a stable growth during the period from RMB8.6 billion in 2013 to RMB10.1 billion in 2017, representing a CAGR of 4.1% during the period. The PRC ATM markets are expected to grow to RMB11.7 billion in 2022 with a CAGR of 3.0% from 2017 to 2022.

Sales of ATMs in China, 2013-2022E

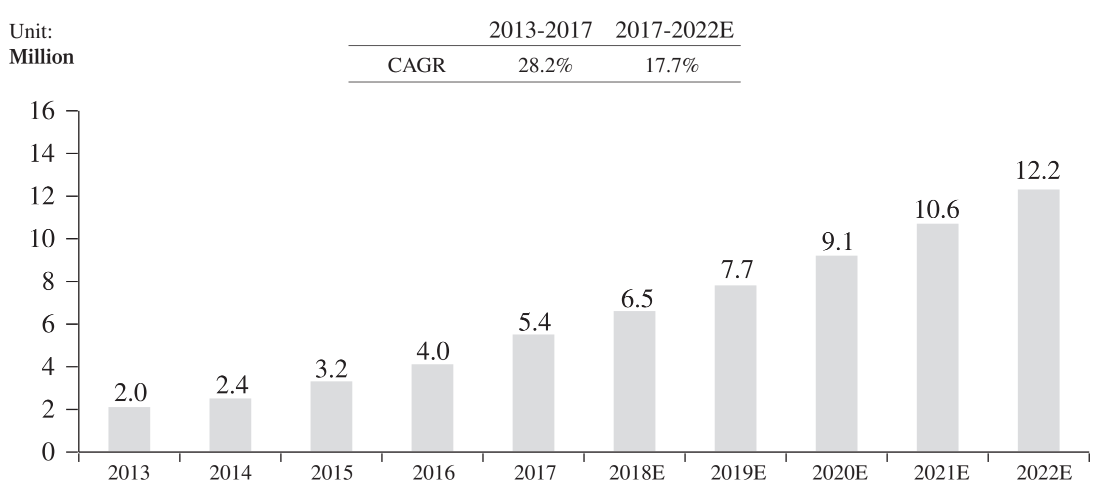


Source: Frost & Sullivan

Sweeping Robots

Nowadays, with the development of technology advancement, more smarter home appliances bring more convenience to people's lives and help people to save time and energy. At present, as consumers' awareness of sweeping robots increases and the technology is increasingly mature, the market demand of sweeping robots gradually increases. The shipment of sweeping robots in China grew from 2.0 million in 2013 to 5.4 million in 2017 at a CAGR of 28.2%. In the next five years, the shipment of sweeping robots in China is estimated to grow at a CAGR of 17.7% to reach 12.2 million by 2022.

Shipment of Sweeping Robots in China, 2013-2022E



Source: Frost & Sullivan

OVERVIEW OF EMS MARKET IN THE PRC

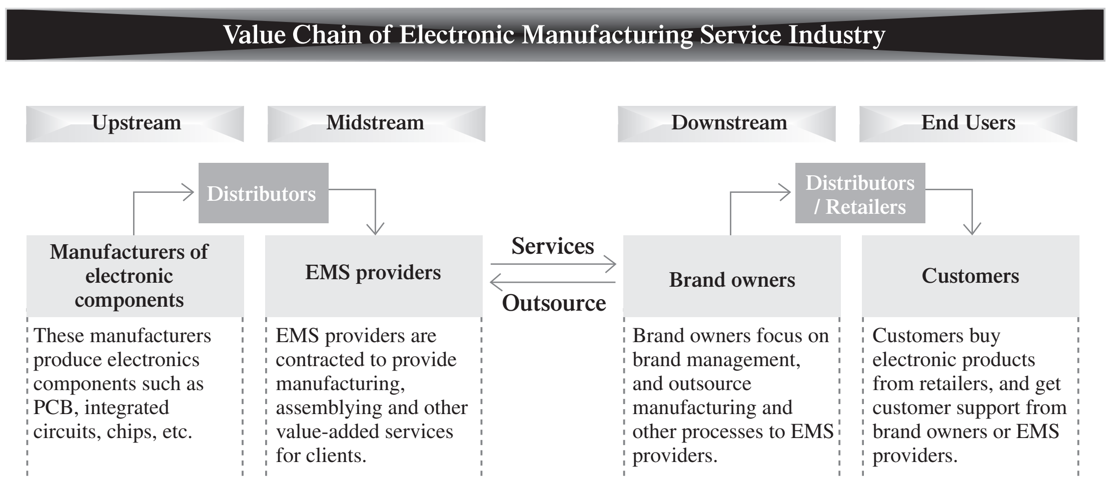
Introduction of EMS

Electronic manufacturing services (EMS) providers are contract manufacturers that offer one-stop and integrated services ranging from product design and development, product manufacturing, supply chain management, logistics, after-sale services and other related services to brand owners. In general, products manufactured by EMS providers are sold under a client's brand name. There are circumstances where customers are the only suppliers of certain raw materials, such as specific models of electronic parts and components. Hence, EMS providers under these circumstances have to purchase such materials from customers, and they have stable supplier base for specific models.

Introduction of PCBA

Printed Circuit Board (PCB) is the most basic component of the electronic products. Printed Circuit Board Assembly (PCBA) is the process of soldering or assembly of electronic components to a PCB. A circuit board prior to assembly of electronic components is known as PCB. PCBAs are normally sold as stand-alone products to downstream users for onward production of various kinds of electronic products for different industries, including banking and finance, smart devices, telecommunications and new energy devices industries, etc.

Value Chain of EMS Industry



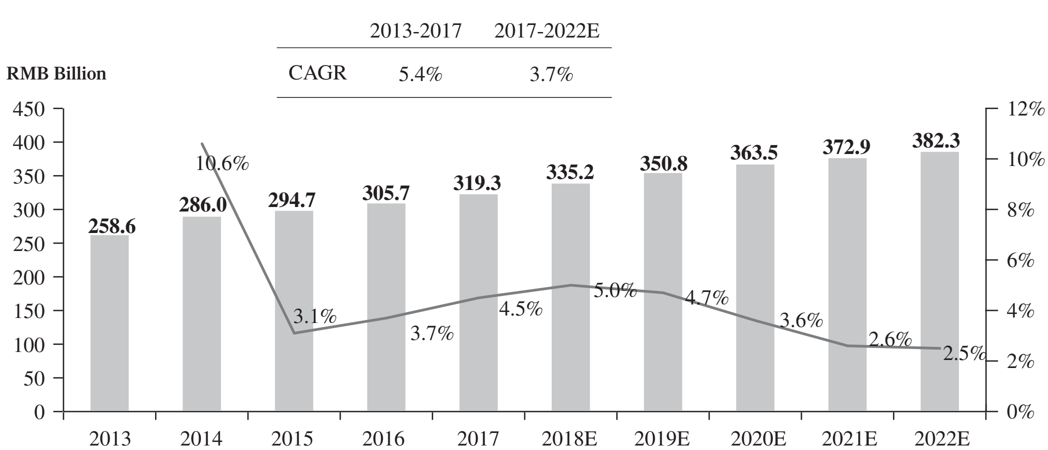
Source: Frost & Sullivan

Market Size of PCBA Industry in the PRC

Supported by government policies such as "Electronic Information Manufacturing 12th Five-year Plan" (電子信息製造業"十二五"發展規劃) released by Ministry of Industry and Information Technology (中國工業和信息化部), the development of cloud computing, Internet of Things and big data industry, and the rising trend of export, the market size of PCBA industry in the PRC experienced an upward trend in general from RMB258.6 billion in 2013 to RMB319.3 billion in 2017 with a CAGR of 5.4%.

With the deepening of China's informationization construction (信息化建設) and continuously increasing demand from downstream industries, the market size of China PCBA industry by revenue is expected to increase from RMB319.3 billion in 2017 to RMB382.3 billion in 2022 with a CAGR of 3.7%. China PCBA industry is getting increasingly fledged after the rapid development period. China PCBA industry is transmitting its focus from low-end products to high-end products, facing the pressure from reforming dilemma and rising cost.

Market Size of China PCBA Industry by Revenue, 2013-2022E

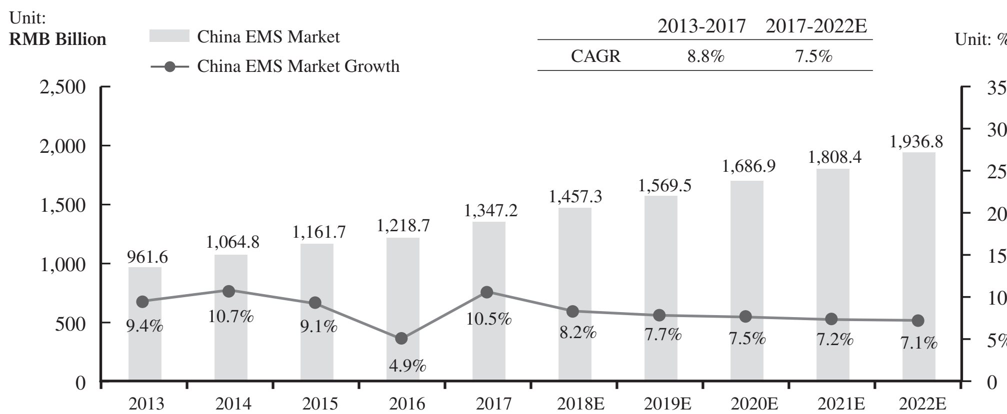


Source: Institute of Printed Circuits, World Electronic Circuits Council, Frost & Sullivan

Market Size of EMS Industry in the PRC

In recent years, growing demand from players along the value chain of electronic manufacturing service industry and the continuous increasing penetration of EMS have driven the EMS market in China. Sales value of EMS in the PRC has reached RMB1,347.2 billion in 2017, with a CAGR of 8.8% from 2013 to 2017. The accelerated growth of EMS market during 2013 to 2014 is mainly due to the recovery of global electronics market, however, the growth of EMS market experienced a drop in 2016 due to the downturn happened to the global electronics product markets. Going forward, the market size of electronic manufacturing service industry is expected to continue stable growth in the coming years, estimated to reach RMB1,936.8 billion in 2022 at a CAGR of 7.5%. This is mainly attributed to booming domestic demand for electronics products, advances in manufacturing technology, favorable policies and the lift of national planning 'Made in the PRC 2025 (中國製造2025)'. In addition, the offering of more value-added services, such as logistics and supply chain management, would increase service fees charged by EMS providers and hence, the market size continues further growth.

Sales Value of EMS Industry in China, 2013-2022E



Source: Frost & Sullivan

Penetration rate of EMS describes the rate that EMS providers captured as a percentage of electronics cost of goods sold. Based on the increasing acceptance of outsourcing as a viable option for the industry, penetration rate of EMS in global market has kept increasing from 19.8% in 2013 to 21.9% in 2017, and is expected to reach 23.9% in 2022.

Market Driver of EMS Industry

Thriving demand in global electronic products market will encourage EMS growth: High demand from computer and storage, telecommunications, consumer electronics, automotive electronics, and military and aerospace fuels the EMS market in the PRC with great growth opportunities. The continuously expanding market of electronics industry indicates tremendous demand for electronic manufacturing services, therefore, electronic manufacturing service market will keep a sustained and steady growth.

Penetration of EMS will continue to increase: Electronic products continue to face challenges of shorter product lifecycles, fluctuating demand cycles, increasing pressures on quality, and line changeovers. To reduce cost, ensure product quality and stay ahead of innovation curve, brand owners will further rely on EMS providers in product design, manufacturing, supply chain management, and etc. As a result, the EMS market will keep a strong momentum with the increasing penetration of EMS.

Growing capabilities of EMS providers: To provide quality products and services to their customers, EMS providers have constantly ramped up their manufacturing capabilities, procurement power and global network. In addition, EMS providers have also enhanced their design capabilities to provide higher-margin design services. The growing capabilities of EMS providers will raise the reliance of brand owners on outsourcing, and drive up the growth of EMS market.

The PRC government's policies encourage market growth: In 13th Five-year Plan (十三五規劃) and Made in the PRC 2025 (中國製造2025), the PRC government has emphasized on the importance of improving the innovation capabilities of manufacturing industries, and encourage investment in high-tech manufacturing industries such as new generation information technology, robotics, aerospace and renewable energy. These favourable policies will facilitate the development of electronic manufacturing industry in the PRC, and thus boost the growth of EMS market.

Offering of more value-added services encourages market growth: Since OEMs could free themselves to focus on core competencies, they increasingly outsource supply management to EMS providers. With effective supply management and logistics, EMS providers charge higher service fees for OEMs, and hence further increase the market size. In addition, repair and maintenance services for electronic components are also provided by EMS providers, and more revenues are generated accordingly.

Market Trends of EMS Industry

Increasing consolidation and reorganization in the EMS industry: Profit margins have been further challenged by increasing price pressures from brand owners and overall price sensitivity of the electronics industry. Many companies have been forced to consolidate, reorganized, and exit less profitable markets in an attempt to remain viable. Competitive EMS providers have looked to improve internal manufacturing and operation for cost savings, and EMS providers that are unable to keep up with new advances face the threat of becoming obsolete.

Smart factories and increased automation are becoming common in the EMS market: Many EMS providers are automating and using robotics to lower labor costs and to create smart factories. Increasing automation will also support the hybrid regionalization strategy that will encourage EMS providers to return to a manufacturing model based on proximity to customers, as opposed to seeking low-cost manufacturing solutions.

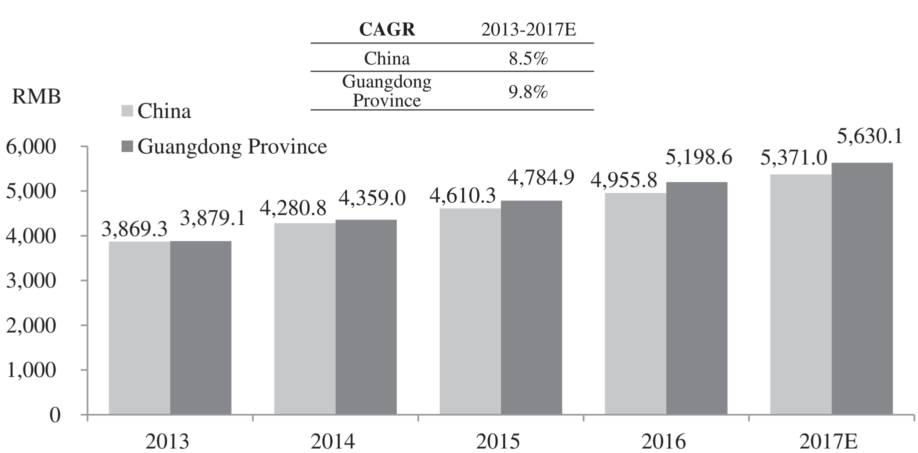
Shift toward integrated services provider: EMS providers are seeking increased penetration and responsibilities in design and new product introduction support. To differentiate from competitors, EMS providers should demonstrate their capabilities in offering integrated solutions which include supply chain management, inventory control, product lifecycle management, and etc. The focus in coming years will be on new manufacturing partnerships capable of providing competitive product/service value that goes beyond cheaper, faster, and simpler, and addresses a broader customer base.

Historical Price Trend of Wages of Manufacturing Workers and Raw Materials

The average monthly wage of employed persons in manufacturing industry in China had increased from RMB3,869.3 in 2013 to RMB5,371.0 in 2017, representing a CAGR of 8.5%. In Guangdong province, it increased from RMB3,879.1 to RMB5,630.1, representing a CAGR of 9.8% from 2013 to 2017.

In general, the increasing wage is attributed to the shortage of labor supply in the manufacturing industry and the effects of economic growth and inflation, and it has resulted in higher operation cost for manufacturers. The average salary of manufacturing workers in Guangdong province was generally higher than the national average.

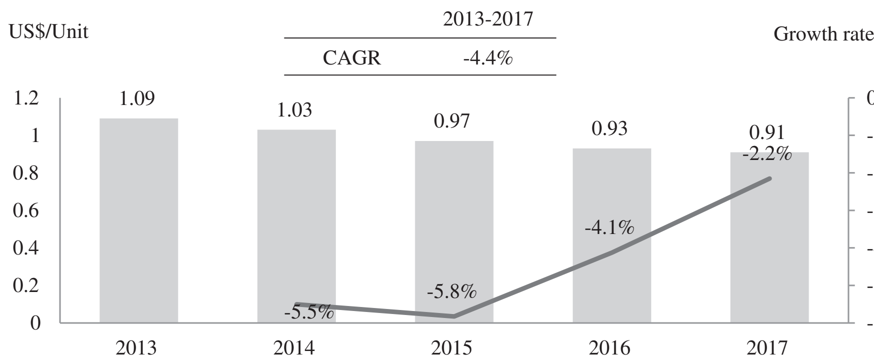
Average Monthly Wage of Employed Persons in Manufacturing Industry, 2013-2017E



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

The average price of electronic integrated circuits generally stabilized at around US$0.9/unit to US$1.1/unit mainly as a result of mature production technology. From 2013 to 2017, the price decreased from US$1.09/unit to US$0.91/unit, which was mainly due to the decreasing prices of raw materials and growing competition among manufacturers with new entrants to the market.

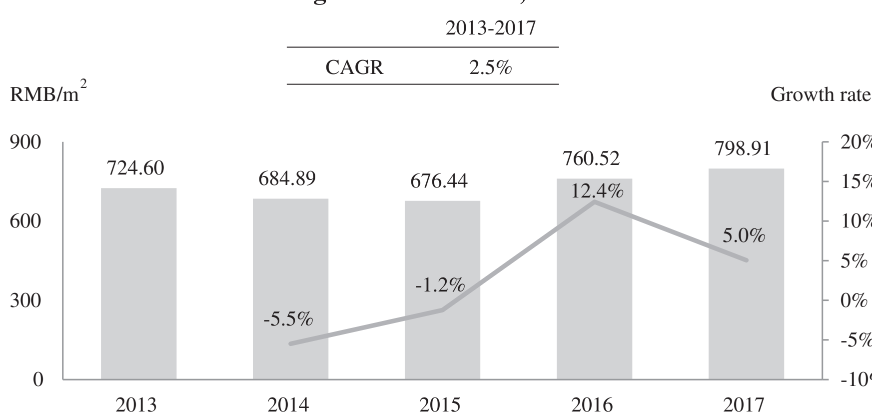
Average Price of Electronic Integrated Circuits, 2013-2017



Source: China Customs, Frost & Sullivan

The price of PCB experienced a downward trend from 2013 to 2015, mainly because of the fierce competition among PCB manufacturers and the decreasing raw material price. However, due to the short supply of copper foil and the rising cost of copper clad laminate, the price of PCB rebounded in 2016, and reached RMB798.91 per m^2 in 2017.

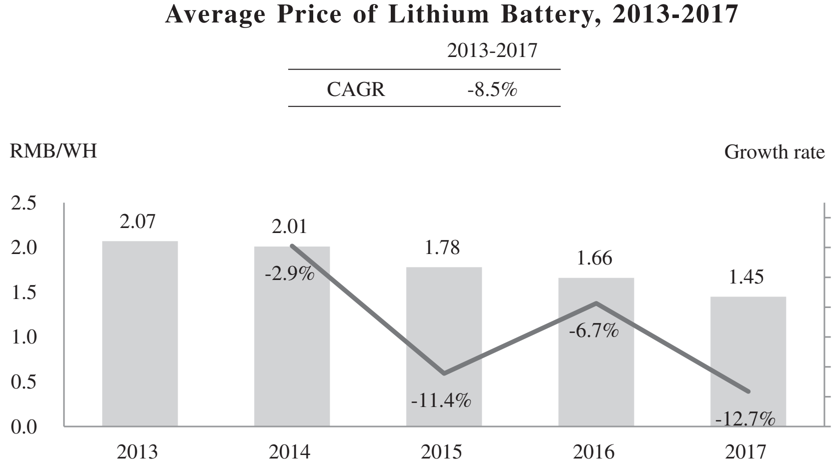
Average Price of PCB, 2013-2017



Source: Frost & Sullivan

Lithium battery is mainly applied in 3C products and automotive power. With the economics of scale, continuously increasing production volume and the slowing growth of downstream market, the price of lithium battery has kept decreased in the past few years from RMB2.07 per WH to RMB1.45 per WH.

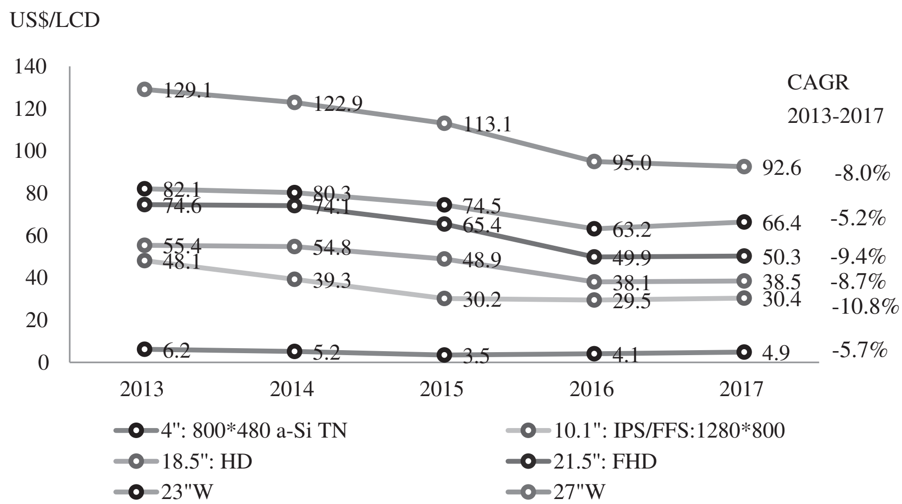
Average Price of Lithium Battery, 2013-2017



Source: Frost & Sullivan

LCDs are used in a wide range of applications including computer monitors, televisions, instrument panels, aircraft cockpit displays, and indoor and outdoor signage. The average of price of liquid crystal display has shown a trend of decreasing due to the economics of scale and fierce competition. The following chart sets forth the average price of mainstream series of liquid crystal display.

Average Price of Liquid Crystal Display (LCD), 2013-2017

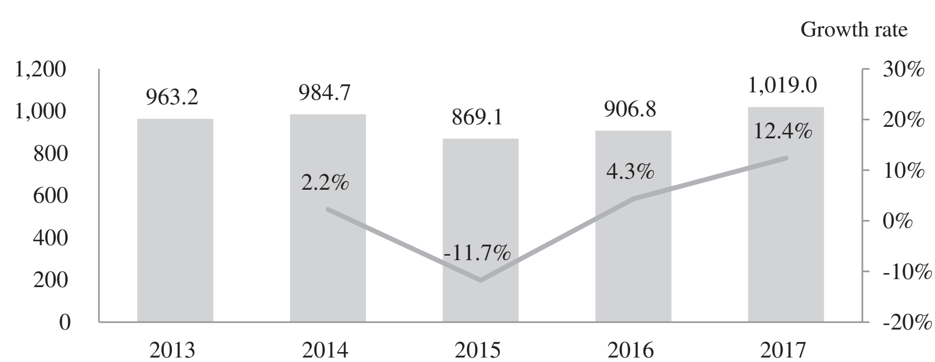


Source: Wind, Frost & Sullivan

China plastic price index (中國塑料價格指數), released by Xinhua News Agency since 2007, is compiled according to the national general plastic market price to indicate the price fluctuations of plastic products in China. The annual average of China plastic price index has decreased from 963.2 in 2013 to 1,019.0 in 2017, representing a CAGR of 1.4% during this period. A notable decrease was seen in 2015, which was resulted from the decreasing prices of crude oil since July 2014, and the over-production in the previous years.

Average of China Plastic Price Index, 2013-2017

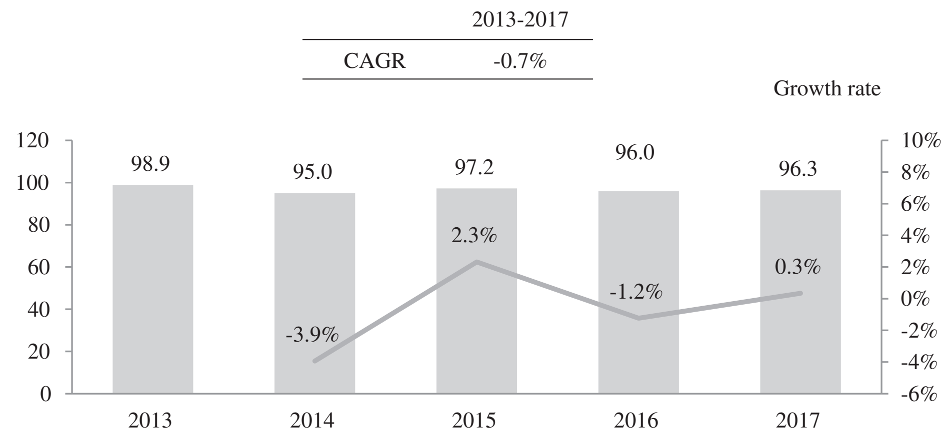
	2013-2017
CAGR	1.4%



Source: Wind, Frost & Sullivan

Hcsindex — China Electronic Market Price Index ("Hcsindex"), authorized and instructed by Ministry of Information Industry, designs model and collects prices of electronic products on Chinese market to illustrate fluctuations of electronic market prices. The price index (Hcsindex) of electronic components has decreased from 98.9 in 2013 to 96.3 in 2017, representing a CAGR of -0.7% during the indicated period.

Price Index of Electronic Components, 2013-2017



Source: Wind, Frost & Sullivan

COMPETITIVE LANDSCAPE OF EMS MARKET IN THE PRC

According to the Frost and Sullivan Report, we had a market share of 0.03% in the EMS market in the PRC in terms of revenue in 2017.

Entry Barrier Analysis of EMS Industry

Design and manufacturing capabilities: Due to the rapid advances in technology and faster replacement of electronic products, brand owners require higher design and manufacturing capabilities from EMS companies to provide reliable products that meet the needs from the market.

Contract manufacturer certifications: In order to become the contract manufacturer of large multinational companies, an EMS company usually needs a long period of time for acquiring related certifications in terms of production process, quality management, working environment, and etc. Besides, local EMS plants have to follow the regulatory requirements in the PRC such as Product Quality Law, Work Safety Law, Environmental Protection Law, and etc.

Supply chain management capabilities: An EMS provider usually covers a wide range of business from design, procurement, and manufacturing to logistics and after-sales services in various vertical markets around the globe. Therefore, a fully functioning and efficient supply chain system is necessary to deliver products and services to customers, and the capabilities to manage such complicated supply chain system is a major entry barrier for new EMS companies.

Large capital investment: To meet customers' requirement in terms of manufacturing capabilities, an EMS company has to invest a lot in fixed assets such as the establishment of plants and SMT lines, the purchases of testing and packaging equipment and etc. In addition, EMS company needs sufficient working capital to ensure procurement and daily operation. Therefore, large capital investment is another entry barrier for EMS companies.

OUR BUSINESS DEVELOPMENT

The history of our Group can be traced back to 2003 when Mr. Ma (chairman of our Board, our chief executive officer, executive Director and a Controlling Shareholder) founded Eternity Technology, together with his brother-in-law Mr. Cheng (our executive Director and a Controlling Shareholder). Mr. Ma has extensive experience in the electronics manufacturing service industry in the PRC. For details, please refer to the section headed "Directors and Senior Management" in this prospectus. In May 2005, Mr. Ma, being confident in the prospects of the electronics manufacturing service industry in the PRC, established Shenzhen Hengchang Sheng, our major operating subsidiary, together with Mr. Cheng and has since served a management role in the company. Through a number of share transfers and allotments, immediately before our Reorganisation, Shenzhen Hengchang Sheng was owned as to approximately 62.91% by Mr. Ma, 20.00% by Ms. Chen (our executive Director and a Controlling Shareholder), approximately 14.89% by Ms. Cheng Lihong (spouse of Mr. Ma, elder sister of Mr. Cheng and a Controlling Shareholder), and approximately 2.20% by Mr. Cheng.

The following are the major developments and milestones of our Group to date:

Year	Milestones
2003	Eternity Technology was incorporated in Hong Kong
2005	Shenzhen Hengchang Sheng was established in the PRC and commenced its business of SMT processing for electronic products, sales and technology development
2005	Shenzhen Hengchang Sheng was accredited with the ISO 9001 certification in relation to quality management system
2009	Shenzhen Hengchang Sheng was accredited with the ISO 14001 certification in relation to environmental management system
2010	Shenzhen Hengchang Sheng was awarded the best business partner award by Customer O, a company listed on the Main Board of the Stock Exchange
2012	We established our Shenzhen Production Plant located in Pingshan District, Shenzhen, Guangdong Province, the PRC
2013	Shenzhen Hengchang Sheng was awarded the best delivery award by Customer A
	Shenzhen Hengchang Sheng has become a corporate member of Surface Mount Technology Association and IPC Association Connecting Electronics Industries, respectively
2016	Shenzhen Hengchang Sheng has been granted the status of High and New Technology Enterprise
	Shenzhen Hengchang Sheng was awarded the outstanding cooperation partner award by Customer B
	Shenzhen Hengchang Sheng was awarded the quality service & integrity award by Customer G

Year	Milestones
	Shenzhen Hengchang Sheng was awarded the best delivery award by Customer H
2017	Shenzhen Hengchang Sheng was awarded the Customer B's strategic cooperation partner award by Customer B
	Shenzhen Hengchang Sheng was awarded the best supplier award by Customer D
	Shenzhen Hengchang Sheng was awarded the best quality award by Customer H
	Shenzhen Hengchang Sheng was awarded the best ten taxpayer by SAT of Pingshan District of Shenzhen City* (深圳市坪山區國家税務局)
2018	Shenzhen Hengchang Sheng has become an honourable member of Shenzhen City Pingshan District Rainbow Road (Charitable) Support Association* (深圳市坪山新區彩虹之路(慈善)幫扶協會)

OUR CORPORATE HISTORY

Our Company

Our Company was incorporated in the Cayman Islands on 15 March 2017. Upon completion of the Reorganisation, our Company became the holding company of our Group, the details of which are set out in the paragraph headed "Reorganisation" below in this section.

Shenzhen Hengchang Sheng

Shenzhen Hengchang Sheng was established on 9 May 2005 as a limited liability company under the PRC laws for carrying on the business of SMT processing for electronic products, sales and technology development. The registered capital of Shenzhen Hengchang Sheng of RMB500,000 was fully paid up on 28 April 2005 by Mr. Ma and Mr. Cheng with their own personal savings accumulated from previous employments. The equity holding structure of Shenzhen Hengchang Sheng upon establishment was as follows:

Name of equity holder(s)	Registered capital *RMB*	Percentage
Mr. Ma	450,000	90%
Mr. Cheng	50,000	10%
Total:	500,000	100%

In September 2006, for the purpose of increasing the working capital of Shenzhen Hengchang Sheng, the registered capital of Shenzhen Hengchang Sheng was increased by RMB1,500,000 to RMB2,000,000, of which RMB1,100,000 was contributed by Mr. Ma, and RMB400,000 was contributed by Ms. Cheng Lihong, the spouse of Mr. Ma and elder sister of Mr. Cheng, with her own personal savings accumulated from previous employments. After the aforesaid increase in registered capital, the equity holding structure of Shenzhen Hengchang Sheng was as follows:

Name of equity holder(s)	Registered capital *RMB*	Percentage
Mr. Ma	1,550,000	77.5%
Ms. Cheng Lihong	400,000	20%
Mr. Cheng	50,000	2.5%
Total:	2,000,000	100%

In March 2009, the registered capital of Shenzhen Hengchang Sheng was increased to RMB5,000,000 pursuant to the shareholder resolutions on 25 February 2009 for the purpose of increasing working capital. After the aforesaid increase in registered capital, the equity holding structure of Shenzhen Hengchang Sheng was as follows:

Name of equity holder(s)	Registered capital *RMB*	Percentage
Mr. Ma	3,550,000	71%
Ms. Cheng Lihong	1,400,000	28%
Mr. Cheng	50,000	1%
Total:	5,000,000	100%

In April 2011, the registered capital of Shenzhen Hengchang Sheng was further increased to RMB12,000,000 pursuant to the shareholder resolutions on 7 March 2011 to cater its working capital needs. After the aforesaid increase in registered capital, the equity holding structure of Shenzhen Hengchang Sheng was as follows:

Name of equity holder(s)	Registered capital *RMB*	Percentage *(Approximate)*
Mr. Ma	7,550,000	62.91%
Ms. Cheng Lihong	4,400,000	36.67%
Mr. Cheng	50,000	0.42%
Total:	12,000,000	100%

In July 2014, Ms. Chen, who had been a senior management of Shenzhen Hengchang Sheng since August 2007, was confident in the prospects of the electronics manufacturing industry and decided to invest in Shenzhen Hengchang Sheng with her own personal savings accumulated from previous employments. At the same time, Mr. Cheng intended to increase his equity holding in Shenzhen Hengchang Sheng which had been diluted by various increases in registered capital. As a result, on 12 August 2014, Ms. Cheng Lihong as vendor, and Ms. Chen and Mr. Cheng as purchasers, entered into an equity transfer agreement, pursuant to which Ms. Chen and Mr. Cheng acquired from Ms. Cheng Lihong 20% and 1.78% equity interest in Shenzhen Hengchang Sheng at considerations of RMB2,400,000 and RMB213,400, respectively, which were determined with reference to the then registered capital of Shenzhen Hengchang Sheng. The said considerations were settled by cash in or about August 2014.

After the aforesaid equity transfers, the equity holding structure of Shenzhen Hengchang Sheng was as follows:

Name of equity holder(s)	**Registered capital**	**Percentage**
	RMB	*(Approximate)*
Mr. Ma	7,550,000	62.91%
Ms. Chen	2,400,000	20.00%
Ms. Cheng Lihong	1,786,600	14.89%
Mr. Cheng	263,400	2.20%
Total:	12,000,000	100%

On 27 March 2017, the registered capital of Shenzhen Hengchang Sheng was increased from RMB12,000,000 to RMB12,631,579. The capital increase was contributed by the investment from In Good Investment, a company indirectly wholly-owned by the Pre-IPO Investor, in a sum of RMB919,195, of which RMB631,579 and RMB287,616 was used to increase the registered capital and capital reserve of Shenzhen Hengchang Sheng, respectively. The investment had been fully paid and settled on 27 April 2017. The said sum of investment was determined with reference to the net asset value of Shenzhen Hengchang Sheng based on valuation as at 30 September 2016. After the completion of the aforesaid capital increase, the equity holding structure of Shenzhen Hengchang Sheng was as follows:

Name of equity holder(s)	**Registered capital**	**Percentage**
	RMB	*(Approximate)*
Mr. Ma	7,550,000	59.77%
Ms. Chen	2,400,000	19.00%
Ms. Cheng Lihong	1,786,600	14.14%
In Good Investment	631,579	5.00%
Mr. Cheng	263,400	2.09%
Total:	12,631,579	100%

On 25 April 2017, as part of the Reorganisation, each of Mr. Ma, Ms. Chen, Ms. Cheng Lihong, Mr. Cheng and In Good Investment as vendor entered into an equity transfer agreement with Agreeable as purchaser, pursuant to which Agreeable acquired approximately 59.77%, 19%, 14.14%, 2.09% and 5% equity interest in Shenzhen Hengchang Sheng from Mr. Ma, Ms. Chen, Ms. Cheng Lihong, Mr. Cheng and In Good Investment, respectively, at cash consideration of RMB10,988,054, RMB3,492,940, RMB2,599,483, RMB384,223 and RMB919,195, respectively. The said considerations were determined with reference to the net asset value of Shenzhen Hengchang Sheng as at 30 September 2016 and the capital injection by the Pre-IPO Investor in April 2017 and were settled in around June 2017. After completion of the aforesaid equity transfer on 12 May 2017, Shenzhen Hengchang Sheng became a wholly foreign-owned enterprise and was wholly-owned by Agreeable.

Our PRC Legal Advisers confirmed that the registered capital of Shenzhen Hengchang Sheng had been fully paid up, and the establishment, equity transfers and capital injections as described above had been approved by, registered at and /or filed to the relevant competent authorities and were legally valid and effective.

Eternity Technology

Eternity Technology was incorporated in Hong Kong with limited liability on 2 January 2003 and was owned as to 50% by Company Kit Secretarial Services Limited and Company Kit Registrations Limited, respectively, each of which was a former shareholder and/or secretary of Eternity Technology and is not otherwise connected with our Company or its connected persons.

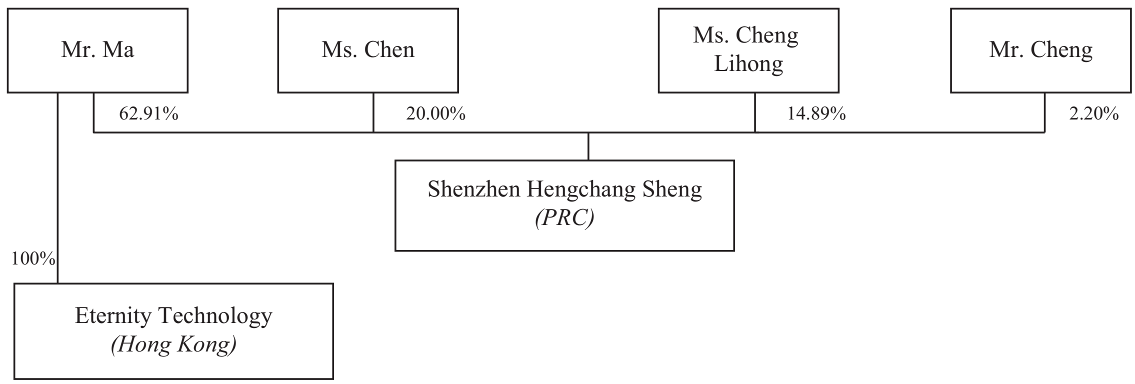
As Mr. Ma wished to develop his overseas business, on 3 April 2003, Mr. Ma and Mr. Cheng Bin each acquired one share of Eternity Technology at a consideration of HK$1, which was determined with reference to the then par value of the shares and was settled by cash in or around April 2003. After the aforesaid share transfers, Eternity Technology was owned as to 50% by each of Mr. Ma and Mr. Cheng.

On 23 July 2007, as Mr. Cheng wished to focus on developing his career in the PRC, he transferred his one share in Eternity Technology to Mr. Ma at a consideration of HK$1, which was determined with reference to the then par value of the shares and was settled in or around July 2007. After the aforesaid share transfer, Eternity Technology was wholly-owned by Mr. Ma.

As part of the Reorganisation, on 1 June 2017, Mr. Ma as vendor and Total United as purchaser entered into a sale and purchase agreement, pursuant to which Total United acquired two shares of Eternity Technology, representing the then entire issued shares of Eternity Technology, at a consideration of HK$1,800,000, which was determined with reference to the net asset value of Eternity Technology as at 31 December 2016 and was settled in or around June 2017. Upon completion of the Reorganisation, Eternity Technology became our Company's indirect wholly-owned subsidiary. Eternity Technology is principally engaged in trading of electronic products.

REORGANISATION

We set out below the corporate structure of our Group immediately before the Reorganisation:



In preparation for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. The Reorganisation involved the following major steps:

1. Incorporation of Rich Blessing

Rich Blessing was incorporated in the BVI on 13 February 2017. Upon incorporation, Rich Blessing was authorised to issue a maximum of 50,000 no par value shares of a single class. On 10 March 2017, 6,291, 2,000, 1,489 and 220 shares were allotted and issued to Mr. Ma, Ms. Chen, Ms. Cheng Lihong and Mr. Cheng, respectively at a consideration of US$0.01 per share. Upon completion of such allotment and issue, the issued share capital of Rich Blessing was owned by Mr. Ma as to 62.91%, Ms. Chen as to 20.00%, Ms. Cheng Lihong as to 14.89% and Mr. Cheng as to 2.20%.

2. Incorporation of our Company

On 15 March 2017, our Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. One fully paid Share was allotted and issued to the subscriber on 15 March 2017, which was subsequently transferred to Rich Blessing on the same date, and 322 Shares and 17 Shares were allotted and issued, credited as fully paid, to Rich Blessing and In Good Investment respectively on the same date. On 17 May 2017, due to the business needs of the Pre-IPO Investor, In Good Investment transferred its 17 Shares to Elite Foster at par value, which was settled in or around May 2017. After the aforesaid allotment and transfer of Shares, our Company was owned as to 95% by Rich Blessing and 5% by Elite Foster.

3. Incorporation of intermediary holding companies

(a) Total United was incorporated in the BVI as an investment holding company with limited liability on 1 December 2016. On 23 March 2017, one fully paid share of Total United was allotted and issued to our Company at par.

(b) Agreeable was incorporated in Hong Kong as an investment holding company with limited liability on 30 March 2017. One fully paid share was allotted and issued to the subscriber on 30 March 2017, which was subsequently transferred to Total United on 5 April 2017.

4. Capital injection by the Pre-IPO Investor

On 27 March 2017, the registered capital of Shenzhen Hengchang Sheng was increased from RMB12,000,000 to RMB12,631,579. The capital increase was contributed by the investment from In Good Investment, a company indirectly wholly-owned by the Pre-IPO Investor, in a sum of RMB919,195, of which RMB631,579 and RMB287,616 was used to increase the registered capital and capital reserve of Shenzhen Hengchang Sheng, respectively. The investment had been fully paid and settled on 27 April 2017. For details, please refer to the paragraph headed "Our Corporate History — Shenzhen Hengchang Sheng" above in this section.

5. Acquisition of Shenzhen Hengchang Sheng

On 12 May 2017, Agreeable acquired approximately 59.77%, 19%, 14.14%, 2.09% and 5% equity interest in Shenzhen Hengchang Sheng from Mr. Ma, Ms. Chen, Ms. Cheng Lihong, Mr. Cheng and In Good Investment, respectively at cash consideration of RMB10,988,054, RMB3,492,940, RMB2,599,483, RMB384,223 and RMB919,195, respectively. For details, please refer to the paragraph headed "Our Corporate History — Shenzhen Hengchang Sheng" above in this section.

6. Subscription of Shares by the Pre-IPO Investor

On 18 May 2017, Elite Foster subscribed for 40 Shares of our Company at cash consideration of HK$13,860,000, which was settled on the same day. After the aforesaid subscription of Shares, our Company was owned as to 85% by Rich Blessing and 15% by Elite Foster.

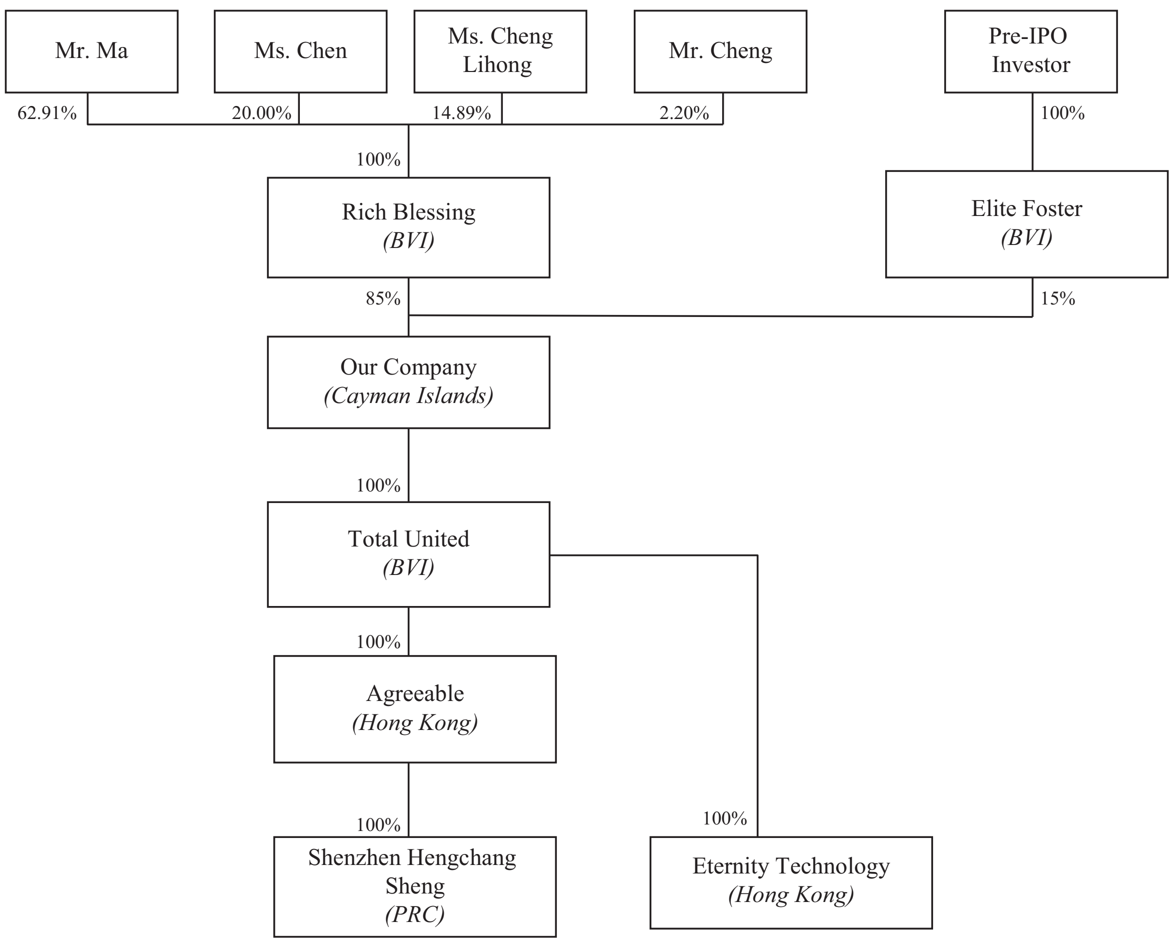
7. Acquisition of Eternity Technology

On 1 June 2017, Total United as purchaser and Mr. Ma as vendor entered into a sale and purchase agreement, pursuant to which Total United acquired the entire issued shares of Eternity Technology at cash consideration of HK$1,800,000. For details, please refer to the paragraph headed "Our Corporate History — Eternity Technology" above in this section.

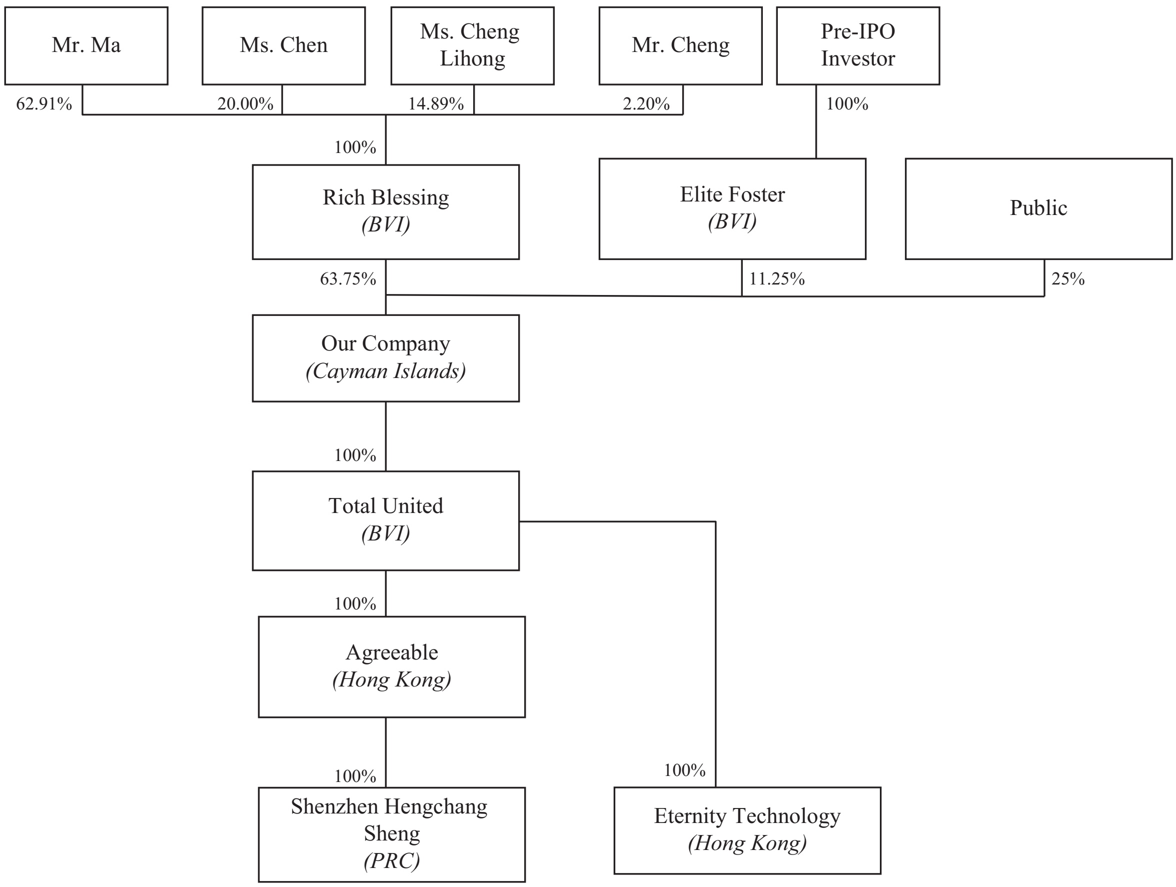
8. Loan capitalisation by our Company

On 8 June 2017, our Company capitalised the full amount of the shareholder's loans of HK$21,500,000 and HK$1,140,000 granted by Rich Blessing and Elite Foster respectively, for the purpose of satisfying our capital needs for acquisition of Shenzhen Hengchang Sheng and Eternity Technology as part of the Reorganisation, by allotment and issue of 85 and 15 ordinary Shares, credited as fully paid, to Rich Blessing and Elite Foster, respectively. After the aforesaid loan capitalisation, our Company remained owned as to 85% by Rich Blessing and 15% by Elite Foster.

We set out below the corporate structure of our Group after completion of the Reorganisation but immediately before the Capitalisation Issue and the Share Offer:



We set out below the corporate structure of our Group after completion of the Reorganisation and immediately upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme):



PRE-IPO INVESTMENT

Background of the Pre-IPO Investor

Elite Foster is an investment holding company incorporated in the BVI with limited liability on 3 December 2015 and is beneficially and wholly owned by the Pre-IPO Investor, who is the sole director of Elite Foster. In Good Investment is an investment holding company incorporated in Hong Kong with limited liability on 8 February 2017 and is beneficially and wholly owned by Elite Foster. The Pre-IPO Investor is also the sole director of In Good Investment. The Pre-IPO Investor is a Hong Kong resident and has over 20 years of experience in operating a factory in the PRC which principally engaged in the business of manufacturing of wrapping papers. He was introduced to Mr. Ma, in around six years ago through their mutual friend and became a friend of Mr. Ma and acquainted with our Group since then. To the best knowledge and belief of our Directors, the Pre-IPO Investor decided to invest in our Group in view of the prospects and growth potential of our Group and the electronics manufacturing service industry. Prior to his investment in our Group, the Pre-IPO Investor and his associates were Independent Third Parties and had no transaction or relationship with our Group or the Controlling Shareholders. The Pre-IPO Investor will be our substantial Shareholder upon Listing and thus the Shares held by Elite Foster will not be counted towards the public float.

Investment

On 27 March 2017, the registered capital of Shenzhen Hengchang Sheng was increased from RMB12,000,000 to RMB12,631,579. The capital increase was contributed by the investment from In Good Investment, a company indirectly wholly-owned by the Pre-IPO Investor, in a sum of RMB919,195, of which RMB631,579 and RMB287,616 was used to increase the registered capital and capital reserve of Shenzhen Hengchang Sheng, respectively. The investment had been fully paid and settled on 27 April 2017. After completion of the capital increase, In Good Investment held approximately 5% equity interest in Shenzhen Hengchang Sheng. Subsequently as part of the Reorganisation, the Pre-IPO Investor, through Elite Foster, held 5% of the issued share capital of our Company and the approximately 5% equity interest in Shenzhen Hengchang Sheng held by In Good Investment was transferred to Agreeable at cash consideration of RMB919,195. For details, please refer to the paragraphs headed "Our Corporate History — Shenzhen Hengchang Sheng" and "Reorganisation" above in this section.

On 18 May 2017, Elite Foster subscribed for 40 Shares of our Company at cash consideration of HK$13,860,000, which was settled on the same day. After the aforesaid subscription of Shares, Elite Foster held 15% of the issued share capital of our Company. On 8 June 2017, our Company capitalised the full amount of the shareholder's loan of HK$1,140,000 granted by Elite Foster, for the purpose of satisfying our capital needs for acquisition of Shenzhen Hengchang Sheng and Eternity Technology as part of the Reorganisation, by allotment and issue of 15 Shares, credited as fully paid, to Elite Foster. After the aforesaid loan capitalisation, our Company remained owned as to 15% by Elite Foster. For details, please refer to the paragraph headed "Reorganisation" above in this section.

The following sets out the summary of the pre-IPO investment:

Net amount of consideration	HK$15,000,000
Date on which consideration was fully paid	23 May 2017
Cost per Share paid under pre-IPO investment *(Note 1)*	Approximately HK$0.44 per Share
Basis of determination of the consideration	The consideration was determined based on an arm's length negotiation taking into consideration the respective unaudited net asset value of Shenzhen Hengchang Sheng and Eternity Technology as at 30 September 2016 and 31 December 2016, respectively and our estimated future performance and business plans.
Discount to the Offer Price (based on the mid-point of the indicative Offer Price range)	Approximately 76.22%
Use of proceeds from the pre-IPO investment *(Note 2)*	Mainly as general working capital of our Group
Benefit from the Pre-IPO Investment	Our Directors are of the view that the pre-IPO investment (i) serves as a source of additional working capital to our Group and provides immediate funding available for our Group's business operation; and (ii) enlarges our shareholder base. Given the Pre-IPO Investor's investment and operation of the wrapping papers manufacturing business in the PRC, the Pre-IPO Investor often has chances to come across and maintains connections with people from different industries in the PRC and Hong Kong, including people engaged in the EMS business and/or interested in EMS. Since the contribution of the pre-IPO investment in March 2017, the Pre-IPO Investor had referred two new customers to our Group which had placed approximately RMB4.9 million of purchase orders in aggregate to us. Subsequent to the Track Record Period, our Group recognised approximately RMB630,000 of revenue from one of the new customers referred by the Pre-IPO Investor. As such, our Directors are of the view that the Pre-IPO Investor has brought and may continue to bring in connections beneficial to the Group's development and potentially broaden our potential customer base.
Approximate shareholding upon Listing *(Note 1)*	11.25%

Notes:

1. Based on the 33,750,000 Shares to be held by Elite Foster upon completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

2. As at the Latest Practicable Date, the net proceeds from the pre-IPO investment had not been fully utilised.

Sponsor's confirmation

Given that (i) no special rights have been granted to the Pre-IPO Investor in respect of his investment through his wholly-owned companies; and (ii) the investment having been completed more than 28 clear days before the date of submission of the Listing application, the Sponsor is of the view that the pre-IPO investment is in compliance with the "Interim Guidance on Pre-IPO Investments" (HKEx-GL29-12) and the "Guidance on Pre-IPO Investments" (HKEx-GL43-12) issued by the Stock Exchange.

PRC REGULATORY ISSUES RELATING TO THE REORGANISATION AND THE LISTING

As advised by our PRC Legal Advisers, the Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者並購境內企業的規定) (the "**M&A Rules**") are not applicable to the Reorganisation and the Listing because of the following reasons:

Affiliated Acquisition of Domestic Company

(i) the M&A Rules stipulates that if any domestic company, enterprise or natural person merges its affiliated domestic company in the name of a company legally established or controlled by the aforesaid domestic company, enterprise or natural person in foreign countries or regions, it shall be subject to the approval of the Ministry of Commerce;

(ii) the M&A Rules stipulates that mergers and acquisitions of a domestic enterprise by foreign investors shall mean that foreign investors, by agreement, purchase equity interest from shareholders of domestic enterprise with no foreign investment or subscribe to the increase in the registered capital of the domestic company with the result that such domestic company changes into a foreign investment enterprise;

(iii) The Manual of Guidance on Administration for Foreign Investment Access (2008 Edition) (外商投資准入管理指引手冊(2008年版)) also clarifies that, the equity transfer to foreign party by the Chinese party of an established foreign-invested enterprise shall not refer to the provisions on merger and acquisition. No matter whether there is any affiliated relationship among the Chinese party and foreign party or not, and no matter the foreign party is the original shareholder or new investor or not, the target company of merger and acquisition shall only include domestic-invested enterprise.

Given that: (i) In Good Investment and the Pre-IPO Investor did not have any affiliated relationship with Shenzhen Hengchang Sheng and its shareholders prior to the acquisition; (ii) Shenzhen Hengchang Sheng was approved as a foreign-invested enterprise by Bureau of Economic and Technological Advancement of Shenzhen Pingshan District (深圳市坪山區經濟和科技促進局) on 3 March 2017 and has finished the SAIC registration on 27 March 2017 as to its investment from In Good Investment; and (iii) after the investment from In Good Investment, Shenzhen Hengchang Sheng was already a foreign-invested enterprise at the time of its acquisition by Agreeable, our PRC Legal Advisers opined that the M&A Rules does not apply to the Reorganisation of the Group.

Overseas Listing of Foreign SPV

The M&A Rules stipulates that for the purpose of realising an overseas listing, if the shareholders of a foreign special purpose vehicle ("SPV") purchase the equity interest or subscribe to the increase capital of a domestic company with their equity interests or the new issued shares in the SPV as the means of payment, the listing of such foreign SPV is subject to the approval of the China Securities Regulatory Commission (中國證券監督管理委員會).

Since there was no such acquisition throughout the history of the Group, our PRC Legal Advisers opined that the M&A Rules does not apply to the Listing of the Group.

Pursuant to SAFE Circular No. 37 and SAFE Circular No. 13, where PRC residents conduct investment in offshore special purpose vehicles with their legitimate onshore and offshore assets or equities, they must register with a designated foreign exchange bank branches with respect to their investments. The PRC residents are also required to file changes to their registration where their offshore special purpose vehicles undergo material events such as the change of basic information including PRC residence, name and operation period, as well as capital increase or decrease, share transfer or exchange, merger or division.

According to our PRC Legal Advisers, Mr. Ma, Ms. Chen, Ms. Cheng Lihong and Mr. Cheng, as PRC residents, are required to register with a designated foreign exchange bank. In March 2017, Mr. Ma, Ms. Chen, Ms. Cheng Lihong and Mr. Cheng completed the registration process under the SAFE Circular No. 37 and SAFE Circular No. 13.

OVERVIEW

We are an established EMS provider in the PRC offering integrated manufacturing services which include provision of design enhancement and verification, technical advice and engineering solutions, raw materials selection and procurement, quality control, logistic and delivery and after-sale services to our customers in respect of our assembling and production of PCBAs and fully-assembled electronic products.

Our products. Our products comprise PCBAs and fully-assembled electronic products that are embedded with our PCBAs primarily produced in-house. PCBAs are produced by assembling, populating and soldering of electronic components onto a bare PCB to form and produce a functional PCBA. Our PCBAs are either sold as stand-alone products or assembled with other product parts and casing (both plastic and metal) and packaging materials to form fully-assembled electronic products under the brands of our customers or the brands of their ultimate customers. Our PCBAs are currently mainly applied for production of electronic products that are used in the banking and finance, telecommunication and smart devices industries. Our fully-assembled electronic products that are embedded primarily with our PCBAs mainly include digital projectors, mPOS, mobile phones and photovoltaic inverters.

The table below sets forth a breakdown of revenue by products during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2015		2016		2017		2017		2018	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
							(Unaudited)			
PCBAs *(Note 1)*	79,023	43.2	91,860	34.3	118,169	31.9	29,690	22.1	34,598	19.1
Fully-assembled electronic products *(Note 2)*	103,902	56.8	176,030	65.7	251,993	68.1	104,661	77.9	146,576	80.9
Total	182,925	100.0	267,890	100.0	370,162	100.0	134,351	100.0	181,174	100.0

Notes:

1. These PCBAs are sold as stand-alone products to our customers.

2. The PCBAs embedded in these fully-assembled electronic products are primarily manufactured by us with a small portion being manufactured and supplied by our suppliers based on our requirements and specifications.

Our customers. During the Track Record Period, our customers mainly include manufacturers of electronic products, brand owners, OEMs and trading companies of electronic products such as mobile phones and mPOS which are mainly located in the Guangdong Province and Wuhan city of Hubei Province, the PRC. Most of our customers are in the PRC with a few customers based mainly in Hong Kong, United States and Mexico. For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, our Group's sales to our top five customers accounted for approximately 75.3%, 76.4%, 80.3% and 86.9% of our total revenue. For the same periods, our largest customer accounted for approximately 27.0%, 41.1%, 44.9% and 61.3% of our total revenue, respectively.

Our production facilities. Apart from (i) a small portion of the PCBAs manufactured by our suppliers based on our requirements and specifications for incorporating into our fully-assembled electronic products; (ii) all of our tablets and certain of our mobile phones produced by Independent Third Party suppliers in Hong Kong engaged by Eternity Technology for overseas customers; and (iii) most of the full electronic product assembly since 2017, all our production activities are carried out at our production plant, namely, the Shenzhen Production Plant, in Shenzhen, the PRC. Our Shenzhen Production Plant has a gross floor area of approximately 12,000 sq.m. and is equipped with a range of automated machinery and equipment for assembling PCBAs. As at the Latest Practicable Date, we had ten SMT assembly lines and two DIP assembly lines. As at 31 December 2015, 2016 and 2017 and 30 April 2018, we had 13, 11, 10 and 10 SMT assembly lines (inclusive of two, nil, one and one SMT assembly lines leased from third party lessors on a short term basis as at the corresponding date), respectively. Unlike DIP assembly lines, the SMT assembly lines are all interchangeable and can be adjusted according to our production schedules and product specifications. Our production capacity of SMT assembly lines for PCB assembly calculated based on machine hour for the year ended 31 December 2017 and the four months ended 30 April 2018 amounted to approximately 69,573 hours and 20,244 hours, respectively.

Our subsidiary, namely, Shenzhen Hengchang Sheng, has been accredited with the ISO 9001 certification on quality management system, and ISO 14001 certification on environmental management system, in respect of the processing of PCB, since 2005 and 2009, respectively.

Our suppliers. Our suppliers (including suppliers of raw materials and our fully-assembled tablets and certain mobile phones with their entire production being outsourced to Independent Third Party suppliers, subcontractors performing the full electronic products assembly and subcontractors performing PCB assembly in the SMT production process in March and April 2018 when our production capacity had been fully utilised (which include SMT mounting, reflow soldering and AOI inspection)) are mainly located in the PRC with a few in Hong Kong, South Korea and Taiwan. For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, our top five suppliers accounted for approximately 24.4%, 40.7%, 34.6% and 39.5% of our total cost of purchases and subcontracting fees, respectively while our purchases from our largest supplier accounted for approximately 7.0%, 11.5%, 12.0% and 10.9% of our total cost of purchases and subcontracting fees, respectively.

Our growth. During the Track Record Period, we recorded a revenue of approximately RMB182.9 million, RMB267.9 million, RMB370.2 million and RMB181.2 million, respectively, and profit attributable to our Shareholders of approximately RMB14.0 million, RMB22.1 million, RMB28.5 million and RMB13.9 million, respectively.

Outlook of our Group. Going forward, we view our growth to be driven primarily by the corresponding growth in the industries involving the use of (i) our PCBAs for onward production of various kinds of electronic products, including banking and finance, telecommunication and smart devices industries; and (ii) our fully-assembled electronic products for different industries; and the continuing trend that electronic product manufacturers or brand owners are becoming more accustomed to outsourcing their manufacturing activities to EMS providers, like our Group.

COMPETITIVE STRENGTHS

Our Directors believe that our Group's success to date and our potential for future growth are attributed to our competitive strengths set out below:

We offer a full range of EMS solutions across various vertical successive stages of the supply chain of PCBAs and full electronic product assembly services to our customers with turnkey EMS capabilities

The process of PCBA assembling effectively joins and mounts separate and distinct electronic components with different functions together on a PCB, which enable a PCB to function in the way it is specifically designed. PCBA is used as an electronic circuit interconnecting medium and a mechanical mounting substrate which is a vital part of the electronic products and the design and quality of which would directly affect the quality and functioning of the ultimate electronic products.

Through our vertically integrated EMS solution platform, we provide EMS solutions to our customers on a turnkey basis whereby we are involved in almost every stage of product development process up to the delivery of the finished products, i.e. PCBAs or fully assembled electronic products. Our turnkey EMS capabilities include design enhancement and verification, selection and sourcing of material components, offering of technical advice and engineering solutions, assembling and production, inspection, quality control, warehousing and logistics. To achieve design enhancement and verification, we would try to understand the intended functions of individual products and look at the initial design specifications of a PCBA in order to ascertain if there is any design flaw which would lead to any malfunction of the PCBA and the electronic end products. Once the assembly process of the PCBA has started, we would oversee the entire process and conduct quality control checking, including visual checks, AOI and x-ray inspection, on both semi-finished products and the finished products. After the soldering step of the PCBA process is finished, we test the PCBA for its functionality, which puts the PCBA through its paces, simulating the normal circumstances in which the PCBA will operate. Our customers would also seek our technical advice or input to their design and/or engineering solutions for their new electronic products or the PCBAs thereof, and our sales and marketing staff, on the other hand, would maintain close contact with our customers to keep abreast of any change in their product mix and the evolving technical requirements of their new electronic products. We believe the full-range of EMS across various successive stages of the supply chain of our products, our turnkey EMS capabilities in every stage of the product development process, our ability to provide customised EMS solutions to our customer for their development of new products and our efforts to maintain close relationship with our customers, have together differentiated us from other EMS providers in the PRC and obtained recurring business from our customers. Our customers can therefore enjoy a smooth PCBA manufacturing experience and full electronic product assembly services with minimal overhead and infrastructure costs, which enable us to maintain long term and sustainable relationships with them. Our turnkey capabilities also offer greater flexibility and savings to our customers as we can handle the sourcing of components, localisation of purchases, materials handling and planning, and such capabilities can be evidenced by the awards from our customers, such as the quality service and integrity award granted by Customer G to us in 2016, and the strategic corporation award by Customer B to us and the best supplier award by Customer D to us in 2017. In addition, our Directors believe that such capabilities also contributed to the increase in purchase orders from our major customers during the Track Record Period.

Our Group is committed to implementing high standard quality control measures in raw materials procurement, production processes and finished products. Our Group had been accredited with both the ISO 9001 certification of quality management system and ISO 14001 certification of environmental management system, in respect of our production and assembling of PCB and certain fully assembled electronic products, since 2005 and 2009, respectively. Our PCBAs are generally adopted and used by a number of electronic product manufacturers or brand owners for onward production of their electronic products under their brands in the PRC.

With respect to our fully-assembled electronic products, we have received the "CCC" certification in the PRC. As part of our value-added services, our Group has also assisted our customers to obtain international product quality and safety certifications in compliance with FCC to facilitate the onward sales of our fully-assembled electronic products under their brands in North America and South American countries.

We have strong research and development capabilities and have been granted the status of High and New Technology Enterprise* (高新技術企業)

We place a great emphasis on research and development to keep in pace with technology innovations and advances, which, we believe, will enable us to stay competitive, continually provide high-quality services to our customers and enhance our efficiency and productivity. Over the years, we have accumulated a certain level of technology experience in the provision of PCB assembly services and full electronic product assembly services. Leveraging our experience and knowledge in these areas, we developed a research and development team focusing on developing (i) electronic circuits; and (ii) cabinet parts and other related mechanical assembly parts for the provision of PCB assembly services and full electronic product assembly services to our customers on an EMS basis. Our research and development team engages in discussion with our customers and turn the customers' conceptual designs or ideas into deliverable and commercialised electronic products aiming to improve their product designs in terms of the products' PCBAs, casing and packaging and recommend the proper and suitable raw materials for production and testing of the product. Our research and development team also provides design enhancement and verification services to our customers.

As at 30 April 2018, we were supported by a dedicated team of 44 research and development staff, of whom 27 are engineering staff, including electronics, mechanical, software and testing engineering staff who place a strong focus on product realisation, commercialisation and improvement. They also have extensive experience in the electronics industry in the PRC. For the three years ended 31 December 2017 and the four months ended 30 April 2018, our expenses related to research and development, provision of technical advises and engineering solutions and trial production and verification testing amounted to approximately RMB7.3 million, RMB7.4 million, RMB12.4 million and RMB3.0 million, respectively, which was composed of the remunerations paid to these staff, depreciation expenses, materials and service fee payable to Independent Third Parties for product development.

Up to and including the Latest Practicable Date, we obtained 17 utility model patents and 24 software copyrights in the PRC with respect to the enhancement of our production efficiency in rendering PCB assembly services and the quality of our services. Out of our 17 utility model patents, nine of them are related to various testing devices developed by us in-house for the purpose of enhancing our capabilities in product design verification and quality control, which would in turn enable us to secure new purchase orders in a long run. For example, we were engaged by a new customer, namely, Customer P, for a trial production of 120 units of GNSS positioning module in early September 2017, and under such engagement, various testing procedures had to be applied to the product prototypes. With the help of our patented test system for PCBAs for portable electronic products, the result of the trial production was satisfactory and, as a result, Customer P engaged us for mass production of its GNSS positioning module by the end of September 2017.

We possess the copyrights of the softwares that we applied to our customers' products. As such, our possession of the various intellectual properties enables us to differentiate our products and services from our competitors. For example, (i) our Hengchang Sheng POS terminal control system V1.0 has been applied in the production of the mPOS products supplied to Customer A and Customer B; (ii) our Hengchang Sheng ATM machine advertising automatic promotion platform V1.0 has been applied in the production of PCBAs for banking and finance related devices supplied to Customer D; and (iii) our Hengchang Sheng sweeping robot intelligent control system V1.0 has been applied in the production of the PCBAs for smart devices supplied to Customer G, so as to cater for the specific requirements and specifications of their respective electronics products. As such, our possession of the relevant software copyrights has made our EMS unique to our major customers, and led to the increase in purchase orders of related products from them during the Track Record Period.

Further, subject to the then market conditions, our customers may undertake product innovations through modifying the designs of the existing products or innovating new products from time to time and may request us to provide customised EMS solutions for their development of new products accordingly. In response to the specific customer request, our research and development team and production team will then provide the corresponding technical advices and engineering solutions that adheres to the desired product specifications and performance. During the Track Record Period, there were circumstances that certain existing customers had pursued product innovations to align with the evolving trends in the marketplace. For instance, product innovations undertaken by Customer B included upgrading of payment security and reduction in product size for its mPOS, while the sweeping robots of Customer G are incorporated with innovative features such as self-creation of virtual floor plan and wireless control via smartphones. Further, along with the attainment of the accreditation for the international safety and electromagnetic compatibility standards such as CE (Conformité Européene) mark, Customer H had reduced the dimensions of its industrial grade IoT module in order to make it applicable to various electronics devices. In light of the above, leveraging on our research and development capabilities, we had provided EMS solutions to the relevant customers in accordance with their respective requirements on product specification. Our Directors confirmed that the skill sets possessed by our research and development team and the production team being applied for the existing products are not restricted to the manufacturing process of the PCBAs for the production of any specific electronic products. Our Directors also confirmed that the capabilities developed over time through research and experiences are expected to be relevant and applicable to the development of future products, which in turn would help broaden our product portfolio and facilitate us to tap into new market segments in the electronics industry.

In addition, by becoming members of various commercial associations related to the EMS industry, we had exposure to global communities of experts. As such, we had access to the technical circulars and newsletters issued by these associations from time to time, which enabled us to have access to the research and training materials contributed by the experts in the industry or other corporate members, which in turn enhanced our understanding towards the latest developments in SMT as well as the latest technological requirements of our customers' products, and hence, our research and development capabilities can be strengthened.

As a result of our research and development capabilities, initiatives and achievements, in 2016 our Group was granted the status of "High and New Technology Enterprise* (高新技術企業)" by the relevant PRC governmental authorities and has since been enjoying a preferential EIT of 15%. While our certificate of "High and New Technology Enterprise* (高新技術企業)" will expire in 2018, given that (i) we have completed the necessary filings for examination of our status as a "High and New Technology Enterprise* (高新技術企業)" with the relevant authorities in August 2016; (ii) there has been no major change to the laws and regulations relating to the certification since the last certification; and (iii) both our corporate status and research and development credentials have been enhanced since the last certification, our Directors believe that we will continue to be qualified as a "High and New Technology Enterprise* (高新技術企業)" and be granted the preferential EIT treatment upon re-examination of our status as a "High and New Technology Enterprise* (高新技術企業)" by the relevant authorities.

We fully optimise the functions of our automated machinery and equipment to enable us to achieve efficient and cost-effective production of PCBAs and fully-assembled electronic products

Our machinery and equipment for our provision of PCB assembly services are automated and operated by the SMT method, which can produce PCBAs with various specifications for incorporation into different kinds of electronic products. Attributed to our research and development team's expertise and experience, we are able to make adjustments on the parts and components of our machinery and equipment to optimise their functions to cater for specific production requirements of PCBAs with different specifications.

Our research and development team deploys its expertise to enhance our efficiency in production and maximise utilisation of our production capacity by planning our production schedule ahead and making adjustments on the parts and components of our machinery and equipment. Its expertise can also minimise time lag between dissembling and restructuring the production steps to cater for different product types. It can also shorten the time lag between each production step and optimise production speed, which in turn would reduce the production cost per unit of our PCBAs. Owing to our ability to make adjustments on the parts and components of our machinery and equipment to optimise their functions to suit our specific production requirements and schedule, we can diversify our product types with high volumes and short time lag.

As the electronic product market is dynamic and fast-changing, the availability of advanced and effective machinery and equipment coupled with our ability to optimise both their functions and utilisation is the key to our success as it renders the production process of our PCBAs more efficient and flexible.

Apart from the machinery and equipment for production of PCBAs, our automated machinery and equipment such as the wireless communication analyzers and automated testing machines, etc. enable us to perform quality control and testing on both the raw materials and the final products in the course of our provision of full electronic product assembly services to our customers.

As to the geographical location of our Shenzhen Production Plant in which all our machinery and equipment are installed, it enables us to achieve economies of scale through bulk procurement of raw materials from the suppliers in the vicinity. Our immediate access to different kinds of raw materials also allows us to shorten the lead time for the assembly of PCBAs and fully-assembled products.

With our comprehensive range of EMS covering various successive stages of the supply chain of our products coupled with our ability to optimise our product mix as well as the corresponding growth in the industries involving the use of our PCBAs or our fully-assembled electronic products have constituted our competitive edge over other EMS providers

Our PCBAs are currently mainly applied for the production of electronic products that are used in the banking and finance, smart devices and telecommunication industries such as ATM, IOT modules and sweeping robots, where as our fully-assembled electronic product that are embedded primarily with our PCBAs mainly include digital projectors, mPOS, mobile phones and photovoltaic invertors.

During the Track Record Period, our Directors closely monitored the profit margin and market competition of our products and emphasised on the optimisation of our product mix. For example, we have shifted our product mix towards certain products with better margins, for mPOS, PCBA for ATMs and PCBA for sweeping robots from mobile phones and the PCBAs for telecommunication devices given the maturity of product portfolio that utilised our telecommunication module and the increased competition in the mobile phones market. According to the Frost & Sullivan Report, there are various market drivers that will lead to the growth of market demand for specific products of our customers such as mPOS, ATMs and sweeping robots. The paragraphs below set out the market drivers for our customers' major products and the corresponding market growth during the Track Record Period:

(i) *mPOS:* The accumulation of mobile Internet users has laid a good foundation for the mPOS industry. Moreover, various payment companies which provide mobile payment APP have changed the payment method of general consumers in the PRC, and also urged manufacturers of mPOS to update their products timely to align with the changing technological development. Furthermore, credit consumption has become increasingly popular, and per capita credit card ownership has been increasing year by year. With young people born in the 90's gradually having the main spending power, it is bound to drive credit consumption and the credit card industry to further develop, and thus stimulating the use frequency and market demand for mPOS. According to the Frost & Sullivan Report, the sales of mPOS in the PRC had grown from approximately RMB1.2 billion in 2013 to

approximately RMB5.9 billion in 2017, with a CAGR of approximately 49.2% from 2013 to 2017. According to the annual reports of Customer B (being our major customer for mPOS product during the Track Record Period) for the two years ended 31 December 2016 and 2017, its revenue attributable to the sales of payment-related terminal increased from approximately RMB147.1 million for the year ended 31 December 2015 to approximately RMB894.2 million for the year ended 31 December 2017.

(ii) *ATM:* The ATM industry is mainly driven by the increasing demand for smart bank solutions from downstream banks and supported by continuously developing technologies. Emerging technologies represented by artificial intelligence, big data, cloud computing, and block-chain have quickly penetrated into the traditional financial sector. As such, major banks have been active in embracing new technologies and aiming to transform themselves into smart banks, and the ATM industry has ushered in the development of new opportunities. According to the Frost & Sullivan Report, the sales of ATMs in the PRC experienced a stable growth from approximately RMB8.6 billion in 2013 to approximately RMB10.1 billion in 2017, representing a CAGR of approximately 4.1% during the period.

(iii) *Sweeping robots:* With the continuous development of economy in the PRC, per capita disposable income has been increasing. Sweeping robots have gradually been accepted by consumers, especially among the younger generation in the PRC. At the same time, with the advancement of science and technology, the demand for intelligent products in the PRC has been growing. In addition, the fast-paced life of consumers brought about by the urbanisation process in the PRC has led to a reduction in people's time for household work. It has created market demand for home-use robots and other IOT products. According to the Frost & Sullivan Report, the shipment of sweeping robot in China grew from approximately 2.0 million units in 2013 to approximately 5.4 million units in 2017 at a CAGR of approximately 28.2%.

Our Directors believe that our comprehensive range of EMS covering various successive stages of the supply chain of our products, our ability to optimise our product mix, the corresponding growth in the industries involving the use of our PCBAs or our fully-assembled electronic products and the corresponding growth in the business of our major customers can together stimulate the growth of our EMS and can enable us to enjoy a higher profit contribution than other EMS providers specialised in products with slower paces of growth.

We have an experienced management team

Our Group's performance and success is, to a significant extent, attributable to the expertise and experience of our key management personnel. Our Group's core management team is led by Mr. Ma, who is our founder and has over 16 years' of experience in the EMS industry. Such experience has enhanced his knowledge and understanding of the EMS markets in the PRC. He is responsible for formulating the overall corporate strategies and handling the day to day operation and production management of our Group. On the other hand, our two other executive Directors, namely, Ms. Chen and Mr. Cheng, have joined our Group since 2007 and 2009, respectively. Our management team's long and stable working relationship with our Group demonstrate that their continued commitment to our Group.

Our Directors believe that the extensive experience of our Group's management team and their industry knowledge and in-depth knowledge and experience in the market enhances our capability to meet the expectations and changing demands of our customers from time to time. For further biographical details of our Company's management team, please refer to the section headed "Directors and Senior Management" of this prospectus.

We have established long-term and stable relationships with our major customers

We believe cultivating and maintaining customer loyalty is crucial to our continued success. We maintain long term business relationships with our customers from different provinces in the PRC and regions around the globe, including mainly Hong Kong, United States and Mexico. As at the Latest Practicable Date, our Group maintained business relationships ranging from approximately one year to ten years with our top five major customers during the Track Record Period. Our customers mainly includes local manufacturers of electronic products, brand owners, OEMs and trading companies of various kinds of electronic products. We believe that we are well-equipped with a number of highly-competitive qualities which include good quality control, flexibility in designs, competitive pricing and short lead times.

For PCBAs, our Group's major customers during the Track Record Period included manufacturers of ATM of certain popular brands in the PRC, and manufacturers of electronic products. Concerning our full electronic product assembly services, our customers are mainly OEMs or owners of certain electronic product brands, mobile phones and mPOS. Our Group seeks to establish and maintain long-term and stable business relationships with our customers by participating in their product development, new product rolling-out cycles and thereafter providing them with one-stop solutions from research and development to after-sales services. We provide them with quality products and after-sales services including product warranty and technical support. Our Group's stable customer relationships enable us to (i) obtain a stable flow of orders from our customers and maintain a stable production volume; (ii) openly interact and discuss with our customers; (iii) keep abreast of the latest technology; and (iv) acquire the necessary industry knowledge in developing our products with market appeal. We believe that the length of our business relationships with our customers is also an indication of their recognition of the quality of our products, which is a key factor attributable to our success.

Our Directors believe that our understanding on our customers' changing needs, our ability to offer vertically integrated EMS solutions and consistently deliver quality products to our customers at competitive prices and produce customised PCBAs and full electronic product assembly services of varying types, sizes and specifications to cater for the different requirements of our customers have all together been key factors leading to our Group's success in keeping stable customer relationships. As such, our Directors believe that we are also well positioned to develop new relationships with prospective customers.

BUSINESS STRATEGIES

Our goal is to achieve sustainable growth in our current business and strengthen our production capacity to secure more business opportunities by implementing the following business strategies:

Expand our production capacity and enhance our production efficiency

Industry outlook: According to the Frost & Sullivan Report, the PRC has overtaken the United States as the world's largest electronic product market in terms of sales value since 2015. The sales value of electronic product market in the PRC grew from approximately US$394.0 billion in 2013 to approximately US$457.3 billion in 2017 with a CAGR of approximately 3.8%. It is forecast that the sales value of electronics product market in the PRC will reach approximately US$558.7 billion in 2022 with a CAGR of approximately 4.1% from 2017 to 2022, and the PRC will account for approximately 25.5% of the entire global market in terms of sales value. Furthermore, with the booming domestic demand for electronic products, advances in manufacturing technology and the offering of more value-add services, the market size of EMS industry in the PRC will continue to grow at a CAGR of approximately 7.5% from 2017 to 2022 and reach approximately RMB1,936.8 billion in 2022.

Our current production capacity and its utilisation rate: In respect of the production of our PCBAs, for each of the three years ended 31 December 2017 and the four months ended 30 April 2018, the utilisation rate of our SMT assembly lines was approximately 90.2%, 90.0%, 91.0% and 92.6%, respectively. A SMT assembly line generally includes SMT machine(s), reflow oven and AOI machine, etc. and the combination of which to form a SMT assembly line for PCB assembly is subject to adjustment and modification to cater for the production of different types of electronic products. The production capacity for our SMT assembly lines decreased from approximately 80,850 hours for the year ended 2015 to approximately 69,573 hours for the year ended 2017 due to the decrease of our number of SMT assembly lines from 13 (inclusive of two SMT assembly lines leased from an Independent Third Party lessors on a short-term basis) as at 31 December 2015 to ten as at 31 December 2017 (inclusive of one SMT assembly line leased from an Independent Third Party lessor). The reduction in the number of our SMT assembly lines was due to our cessation of the short-term leases of two SMT assembly lines and our re-structuring of the combination of our SMT assembly lines with our then existing machinery and equipment to cater for the production of different types of electronic products. As at 30 April 2018, we had ten SMT assembly lines (inclusive of one SMT assembly lines leased from an Independent Third Party lessor) and the production capacity of which amounted to approximately 20,244 hours for the four months ended 30 April 2018.

While we do not enter into long-term contracts with any of our subcontractors, we may nevertheless place purchase orders with our subcontractors on a needed basis, depending on our capability and resources level from time to time. Our Directors confirmed that subcontracting part of our SMT production process to Independent Third Party subcontractors for the four months ended 30 April 2018 is principally an interim business measure taken by our Group in light of the high utilisation rate of our SMT assembly lines during the relevant period; and this subcontracting arrangement was ceased in May 2018.

The increasing rental expenses for machinery: In addition, in order to cope with the increasing demand of our EMS during the Track Record Period, we have entered into various short term leases of machinery for our SMT assembly lines and testing machines (with a duration of approximately one to 12 months) from time to time, and the rental expenses incurred in relation thereto increased from approximately RMB4.2 million for the year ended 31 December 2015 to approximately RMB8.7 million for the year ended 31 December 2017 and the rental expenses amounted to RMB3.3 million for the four months ended 30 April 2018.

The condition of our machinery: As at 30 April 2018, out of the ten SMT assembly lines set up in our Shenzhen Production Plant, nine of them were owned by our Group and one was leased from an Independent Third Party lessor, and the average age of these nine SMT assembly lines was approximately 7.6 years. Among these nine SMT assembly lines, the average age of three of them is more than eight years, and the SMT machines in these three SMT production lines have been used by us for approximately ten to 12 years.

Taking into account the industry outlook of the EMS industry in the PRC, the average age of our SMT assembly lines, increasing rental expenses for machinery and our production volume having reached the existing designed production capacity, our Directors take the view that it is imperative for us to enhance our production capacity in order to cope with the simultaneous growth of the electronic product market in the PRC and to capture the business opportunities to, therefore, optimise our profitability. Our expansion plan includes both upgrading and enhancing our existing machinery and equipment and acquiring new machinery and setting up two additional SMT assembly lines and four additional automated testing lines in the New Premises which was recently identified by our Directors and to be leased by us.

Acquiring new machinery, upgrading three SMT assembly lines and setting up two additional assembly lines and four additional automated testing lines. Based on the preliminary quotations obtained by us, we estimate that the capital expenditure for the acquisition of new machinery and equipment will be approximately HK\$67.5 million, which will be financed from the net proceeds of the Share Offer. Also, we expect to utilise approximately HK\$1.9 million from the net proceeds of the Share Offer to hire four additional workers to operate the four additional automated testing lines.

Particulars of additional machinery and equipment we intend to acquire for production of PCBAs and fully-assembled electronic products are as follows:

Additional machinery and equipment	**Number of units**	**Estimated costs** *(HK$'000)*
(a) *For upgrading three existing SMT assembly lines (Note)*		
Back to back configurable momentum printer	3	2,066.6
Three-dimensional solder paste printing inspection machine (double track)	3	1,502.9
AOI Inspector	6	2,745.2
Double track reflow oven	3	2,427.5
High-speed multi-function modular placing machine (2M III base)	9	12,431.6
High-speed multi-function modular placing machine (4M III base)	6	16,575.5
Sub-total		37,749.3
(b) *For setting up two additional SMT assembly lines*		
Back to back configurable momentum printer	2	1,377.3
Three-dimensional solder paste printing inspection machine (double track)	2	1,002.0
AOI inspector	4	1,830.2
Double track reflow oven	2	1,618.4
High-speed multi-function modular placing machine (2M III base)	6	8,287.8
High-speed multi-function modular placing machine (4M III base)	4	11,050.4
Sub-total		25,166.1
(c) *For setting up four additional automated testing lines*		
ICT (in-circuit test) machine	4	4,611.8
		67,527.2

Note: As at 30 April 2018 , the average age of the three existing SMT assembly lines to be upgraded was approximately 8.7 years.

Assuming the three existing SMT assembly lines are upgraded as well as the two additional SMT assembly lines and four additional automated testing lines are delivered, installed and available for production in accordance with the implementation plan set out in the paragraphs headed "Implementation plan" in the section headed "Future Plans and Use of Proceeds" in this prospectus, our Directors estimate that the depreciation charge for these additional machinery and equipment will be approximately RMB0.7 million and RMB5.9 million for the year ending 31 December 2018 and 2019, respectively.

Projected increase of our production capacity. We expect that after completion of the upgrade of the three existing SMT assembly lines and the set-up of two additional SMT assembly lines and four additional automated testing lines, our production capacity for our SMT assembly lines will increase by approximately 7,665 hours for the year ending of 2019 and 13,440 hours for the year ending 2020 (inclusive of the projected increase of approximately 7,665 hours in 2019) as compared to 69,573 hours for the year ended 31 December 2017.

Our Directors believe that the projected increase in the production capacity for our PCBAs could satisfy our future production needs in the next five years. As such, our Directors are of the view that following the successful implementation of our business strategies, despite the additional production overheads, the direct labour costs to be incurred and the depreciation charge for these additional machinery and equipment, it will not cause any material adverse impact on our financial performance as these additional machinery and equipment would enlarge our production capacity, enabling us to take up more purchase orders from our customers, especially during the anticipated steady growth of the electronic product market in the PRC from 2017 to 2022 with a CAGR of approximately 4.1% and thus, offsetting the additional costs incurred or arisen from the purchase of additional machinery and equipment.

Lease the New Premises to align with our production capacity expansion, convert our existing warehouse into an intelligent warehouse and set up an additional intelligent warehouse

Since our Shenzhen Production Plant had been running nearly at full capacity for our PCBA assembling and full electronic product assembling, respectively, our ability to take on new orders is therefore limited by the space therein. In order to expand our production capacity, it is necessary for us to lease the New Premises, which will accommodate the additional SMT assembly lines, automated testing lines and warehousing. We choose to lease the New Premises due to its close proximity to our Shenzhen Production Plant and our customers in the Guangdong Province, the PRC, which will enable us to work more closely and effectively with our customers in terms of product design, provision of advice and after-sale services, and substantially shorten the delivery time to our customers.

Our expansion plan includes the lease of the New Premises, renovating the New Premises to house the two additional SMT assembly lines and four additional automated testing lines mentioned above, and recruiting additional staff. As at the Latest Practicable Date, we have started negotiation with the landlord of the New Premises in relation to the rental of the New Premises. Our Directors expect that the term of the lease of the New Premises would be five years or more, just like the current lease of the Shenzhen Production Plant. We expected to enter into a preliminary lease agreement with the landlord by the end of March 2019. Our expansion plan on our Shenzhen Production Plant is expected to commence in or around the second quarter of 2019 and is expected to be completed by the end of 2019.

Renovation works: We expect to receive approval from the Environmental Protection and Water Supplies Department of Pingshan District of Shenzhen City* (深圳市坪山區環境保護和水務局) to carry out renovation works in the New Premises for our expansion plan. The renovation work is expected to complete in the second quarter of 2019 and we expect to obtain the opinion for completion inspection of the environmental protection for production process from the Environmental Protection and Water Supplies Department of Pingshan District of Shenzhen City* (深圳市坪山區環境保護和水務局) (the "**Completion Inspection Opinion**") by the end of 2019.

Renovation cost: As concerns the renovation of the New Premises, based on the fee quotation obtained from a renovating company in Shenzhen, the PRC, the renovation costs of the New Premises will be approximately HK$0.71 million (equivalent to approximately RMB0.6 million). Our Directors consider that it is reasonable to amortise the expected renovation costs of New Premises for five years, which is the same as the term of lease of our Shenzhen Production Plant and the amortisation expenses in relation to the renovation costs would be approximately HK$70,588 (equivalent to approximately RMB60,000), HK$141,176 (equivalent to approximately RMB120,000), HK$141,176 (equivalent to approximately RMB120,000), HK$141,176 (equivalent to approximately RMB120,000), HK$141,176 (equivalent to approximately RMB120,000) and HK$70,588 (equivalent to approximately RMB60,000) for each of the six years ending 31 December 2024, respectively. As such, our Directors consider that the renovation costs will not have any material impact to our Group's operation and financial position.

Setting up intelligent warehouse and converting our existing warehouse to be an intelligent warehouse: We intend to set up an intelligent warehouse in the New Premises and convert and upgrade our existing warehouse with an area of approximately 3,000 sq.m. to be an intelligent warehouse by dividing it into six storage areas, and 10,000 sections for storage of different kinds of raw materials based on the sales orders on hand from time to time. The intelligent warehouse will be installed with automate conveying belts and other facilities.

We expect to utilise approximately HK$18.7 million, of which approximately HK$10.7 million and HK$7.3 million from the net proceeds of the Share Offer will be utilised for rental of the New Premises and setting up an additional warehouse therein, and conversion of our existing warehouse, respectively; and approximately HK$0.7 million from the net proceeds of the Share Offer will be utilised to hire one additional technical staff to operate and maintain the intelligent warehouse.

Further strengthen our research and development capabilities

As an EMS provider, we are distinguished from conventional OEMs by providing a wide range of services and solutions in addition to the mere PCBA or full electronic product assembly services, including design enhancement and verification, provision of technical advice and engineering solutions, raw materials selection and procurement, assembling services, quality control, logistic and delivery and after-sale services. As such, our research and development capabilities play a pivotal role in the success of our business. We intend to further strengthen our research and development capabilities in the following ways: -

(i) *Seeking to keep pace with the latest technologies and conduct new product development that address prevailing and expected changes in electronic product market.* Our research and development department will continue to keep pace with the latest technologies to deliver PCBAs that can be applied to our customers' innovative electronic products and provide engineering solutions to our customers. In view of the increase in amount of revenue contributed by the provision of our EMS to the production of electronic products for banking and finance industry, we will continue to devote more resources to product development for such industry. Also, for the year ending 31 December 2018, we have a few pipeline products on hand for new customers, including through our vertically integrated EMS solution platform, developing PCBAs of vibration chairs and smart products.

(ii) *Recruiting more talent.* We plan to strengthen our research and development capability by recruiting more engineers and technicians. In this connection, we plan to recruit an addition of six skilled research technicians;

(iii) *Continuing to improve our research and development capacities on the dual fronts.* One being (i) product quality, design and diversity, for instance, by tapping into the latest trends and technological advances that can enable us to provide a wider range of products tailored to our customers' needs; and two, (ii) production efficiency for improving the assembling process and reducing costs. Furthermore, to further augment our research and development capabilities, we plan to cooperate with our customers and/or engage Independent Third Parties research and development solution companies to develop PCBAs that can be applied to our customers' innovative products and provide engineering solutions to our customers. We will also seek to improve our product design and engineering, and to develop and implement more cost-effective production procedures such as adopting more advanced processing technologies, enhancing the automation level of our production process and reducing production costs; and

(iv) *Striving to expand the usage of our PCBAs to other electronic products.* We plan to explore more business opportunities so that our PCBAs can be incorporated into more electronic products in terms of their usage. Our Group's strategies to explore more business opportunities include the following:

(a) Our sales and marketing staff will maintain close contact with our existing customers so as to keep abreast of any change in their product portfolio. Such marketing strategy can ensure that we can capture the business opportunities in relation to the new products of our existing customers given the trend of electronic products is generally changing from time to time. Furthermore, our sales and marketing staff will continue to attend large-scale trade fairs and exhibitions related to the EMS industry. For example, we attended Shenzhen International IOT and Intelligence China Expo (深圳國際物聯網與智慧中國博覽會) and International Smart Home and Smart Hardware Expo (國際智慧家居與智慧硬體博覽會) in August 2016, Shenzhen International IOT Expo (深圳國際物聯網博覽會), Asian Smart Card and Financial Consumer Expo (亞洲智能卡暨金融消費博覽會) and Shenzhen International Smart Architecture and Smart Home Expo (深圳國際智能建築及智能家居博覽會) in August 2017, Global Sources Electronic Show (香港環球資源電子產品展) in October 2017 and the Electronica China 2018 (慕尼黑上海電子展) in March 2018.

(b) We have become members of various commercial associations related to the EMS industry so as to increase our market exposure and strengthen our access to the global EMS communities. For example, Shenzhen Hengchang Sheng has become a corporate member of IPC Association Connecting Electronics Industries and Surface Mount Technology Association, respectively, in 2013.

(c) We offer trial production and verification services to the new products of both our existing customers and potential customers. By offering trial production and verification testing of the product prototypes of our PCBAs or fully-assembled electronic products, their designs, functions, quality, raw materials used and product compatibility with the software resided in the products of our customers can be verified. We will provide our customers with a detailed trial production report with the facts found and recommendations aiming to improve the production process and product quality etc., which will provide incentive for our customers to place order with us instead of our competitors for such new products in the future. Furthermore, we can accumulate relevant knowledge and experience in producing of these new products during the trial production and verification stage. On the other hand, we also offer flexibility to our new customers for production of their new products in a reasonable volume without requiring them to place orders for mass production. As such, our trial production and verification services reduce our customers' supplier switching costs and enable us to secure their purchase orders in a long run.

We expect to utilise approximately HK$4.9 million from the net proceeds of the Share Offer for recruitment of six skilled research technicians.

Upgrade our ERP system and enhance our capabilities in information technology

We believe that an advanced enterprise resource system ("**ERP**") is essential for us to enhance the efficiency of our operation. With an advanced ERP system, we can collect, store, manage and interpret data from our business activities as it provides an integrated and continuously updated view of our core business processes using common databases maintained by our database management system. An upgraded ERP system can track our business resources, including cash, raw materials, production capacity and the status of business commitments, for instance, our sales orders, purchase orders and payrolls in a timely manner. The applications that make up the upgraded ERP system share data across various departments (manufacturing, purchasing, sales, finance and accounting, etc.) that provide the data. As such, this is useful for us to plan and iron out our business expansion plan. In light of the above, we intend to upgrade our existing ERP system which runs on a variety of computer hardware and network configurations using database, which will commence in or around March 2019 and complete the trial period by December 2019.

We expect to utilise a sum of approximately HK$3.6 million from the net proceeds of the Share Offer for the said purpose, of which approximately HK$1.8 million will be used to upgrade our ERP system; and approximately HK$1.8 million will be used to recruit three additional technical staff for operation and maintenance of the ERP system.

OUR BUSINESS MODEL

We offer integrated manufacturing services including the provision of design enhancement and verification, offering of technical advice and engineering solutions, raw materials selection and procurement, quality control, logistic and delivery and after-sale services to our customers in respect of our assembling and production of PCBAs and fully-assembled electronic products.

Our EMS business

With the objective to further consolidate our customer base, we provide full-fledged value-added solutions to our customers across various stages of product development and manufacturing. Our EMS business aims at specialising in large economies of scale in manufacturing, raw materials procurement and pooling together resources, industrial design expertise as well as other value-added services such as warranty and after-sale services. This can help free up our customers who do not need to manufacture and keep huge inventories of products by themselves.

For the provision of vertically integrated EMS solution platform, we provide the following services:

- Design enhancement and verification — Our research and development team together with our production team will discuss with our customers the specification of the PCBAs and/or fully-assembled electronic products in accordance with our customers' initial design and specifications, the intended functions of individual products and/or product prototypes to ascertain if there is any design flaw, offer technical advice and engineering solutions to our customers in order to help them transform their concept or initial design into PCBAs or fully-assembled products, and provide technical advice and engineering solutions to our customers assure seamless production of the products. We will also make recommendations on the raw materials to be used for their products. Depending on the specifications provided by our customers, we would provide suggestions to our customers on the modifications of a given design and their specifications for the purpose of, among others, cost saving, efficiency enhancement or design enhancement. Based on the design approved by our customers, we will select and procure the necessary raw materials for production or simply procure the raw materials according to customers' instructions from their designated suppliers;

- Raw materials selection and procurement — Our customers may provide the raw materials to us or may request us to purchase the raw materials from their designated suppliers or from our own source. We also assist our customers to source and procure raw materials, control and negotiate with the suppliers for better prices and seek alternative suppliers to achieve better cost savings for our customers;

- Assembling services — We offer an extensive range of customised assembly services of both PCBAs and fully-assembled electronic products mainly carried out at the Shenzhen Production Plant:

  (i) *PCB assembly*: PCB assembly is a process of assembling, populating and soldering of electronic components (such as capacitors, resistors, integrated circuits, magnetic heads, transistors, diodes and semi-inductors) onto a PCB (which is used for both electronic circuits interconnecting medium and mechanical mounting substrate) to form and produce a functional PCBA. Our PCBAs are either sold as stand-alone products or embedded with our fully-assembled electronic products. Our PCBAs are mainly applied for production of electronic products that are used in the banking and finance, telecommunication, and smart devices industries.

  While we do not enter into long-term contracts with any of our subcontractors, we may nevertheless place purchase orders with our subcontractors on a needed basis, depending on our capability and resources level from time to time. In 2018, we outsourced assembly works of our PCB assembly in the SMT production process (which include SMT mounting, reflow soldering and AOI inspection) to our subcontractors. Our Directors confirmed that this increase in subcontracting engagement for the four months ended 30 April 2018 is principally an interim business measure taken by our Group in light of the high utilisation rate of our SMT assembly lines during the relevant period; and this subcontracting arrangement was ceased in May 2018.

  (ii) *Full electronic product assembly*: Full electronic product assembly involves the manual assembly of our PCBAs manufactured in-house (or the PCBAs manufactured by our suppliers based on our requirements and specifications), the structural parts, casing (plastic or metal), screens and other parts of the products including the packaging materials according to the product design and specifications to form and produce our fully-assembled electronic products and product testing. During the Track Record Period, we purchased a small amount of PCBAs from our suppliers for incorporating into our fully-assembled electronic products on a need basis taking into account our then capacity to produce PCBAs .

  While we subcontract most of the labour intensive and manual assembly works of our fully-assembled electronic products to our subcontractors since 2017, we continue to uphold the product quality assurance. During the financial year ended 31 December 2017 and up to the Latest Practicable Date, all such subcontracted works were undertaken by our subcontractors under our supervision, ensuring that our fully-assembled electronic products can meet our customers' requirements. Our electronic products fully assembled by us at the Shenzhen Production Plant are mainly embedded with our PCBAs manufactured by us in-house, which include mPOS, mobile phones, digital projectors and photovoltaic inverters, which are under the brand of our customers or the brands of their ultimate customers.

- Quality control — We have implemented a series of quality control procedures on the selection and testing of raw materials, semi-finished products and the finished products throughout the production process to ensure the quality of our products. For details, please refer to the paragraph headed "Quality control" in this section.

- Logistics and delivery — For PRC customers, our customers will either arrange for collection of our products from our Shenzhen Production Plant or request us to deliver the products to their designated addresses, which are usually in the vicinity of our Shenzhen Production Plant. For customers outside the PRC, we deliver the products on (i) FCA basis by loading and delivering the products to the place in Hong Kong as designated by our customers and our duties would then be discharged and the risk of loss of the products is transferred to the customer; or (ii) FOB basis under which the title and risk of goods are transferred to our customers when our products arrived on board; and

- Product return policy — We offer a warranty ranging from nil to 24 months from the date of the delivery of our products. We provide after-sale services such as replacing defective products for our customers during the warranty period. We endeavour to respond to all customer support inquiries within 24 hours to ensure that we are able to address our customers' needs efficiently. During the warranty period, our Group normally allows the return and replacement of products mainly due to quality reasons. We did not encounter any significant product return and replacement during the Track Record Period and up to the Latest Practicable Date.

Our EMS business model is well-supported by a pool of experienced in-house research and development talents, our ability to develop new assembly technologies and our extensive reach across the electronic product supply chain. We prioritise and devote more of our research and development resources into the development of technologies and method with higher efficiency, which our Directors believe would in turn maintain our profit margin. Our ability to provide value-added solutions to our customers differentiates us from the majority of the market's OEM manufacturers currently operating in the PRC.

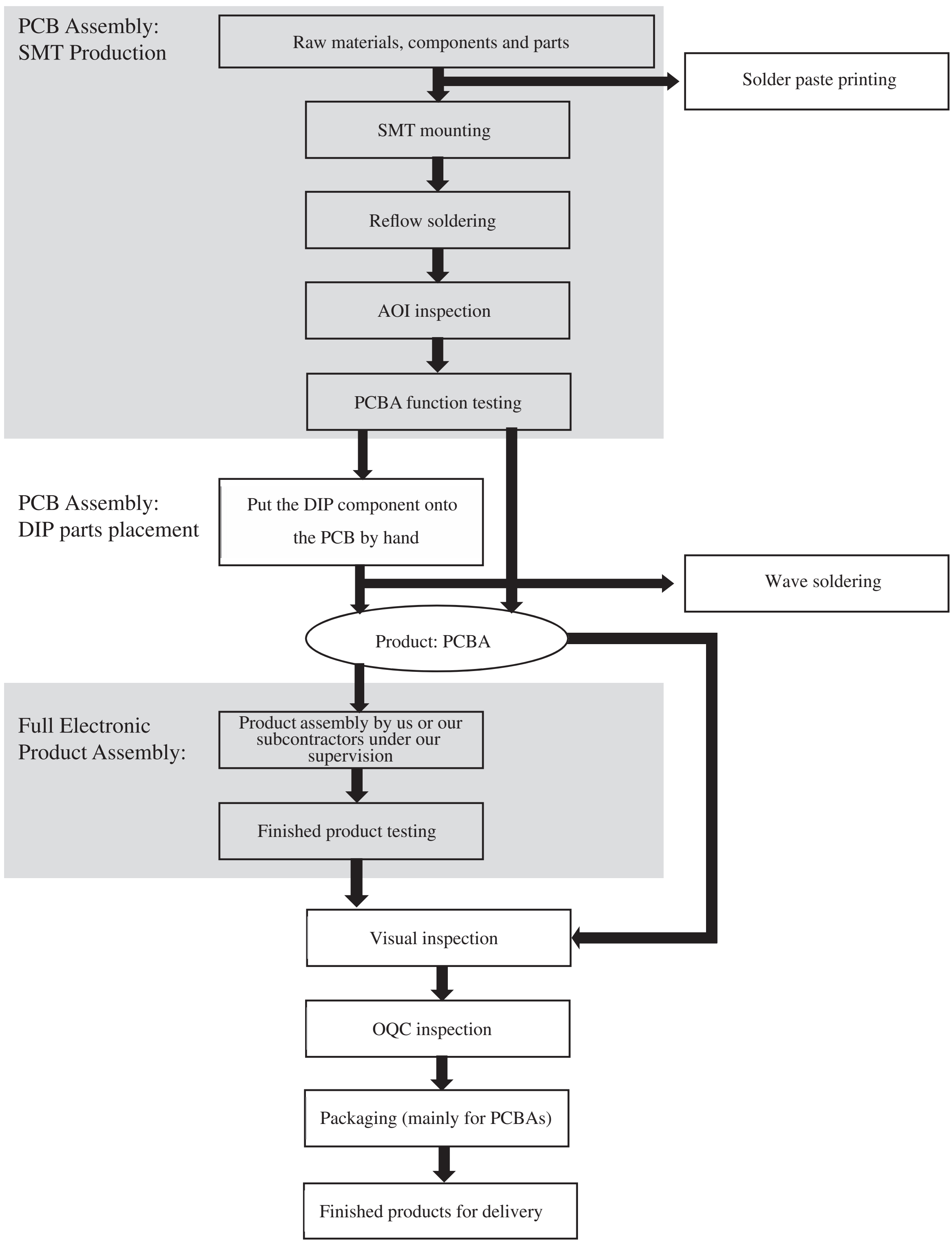
The following diagram illustrates our current EMS business model:

Receipt of specification and prototype of the PCBA from our customers and offer of value-added services	Our customers will provide the initial design, specifications and/or in some circumstances, the prototype of the PCBA or the fully-assembled electronic product to us. Our research and development team will understand the intended functions of the products and offer a broad range of design enhancement, production solutions and suggestions to our customers by utilising both of our engineering and technical capabilities to meet the varying needs of our customers.	Approximately 1 to 3 days
Ordering process and receipt of deposit	Upon receipt of the enquiry, our sales department will negotiate with our customers on the material terms of the order. We may require up to 50% deposit from our customers before formally accepting their purchase order. We usually adopt our standard terms on the purchase order. We will then notify the customer of our order acceptance conditional upon receipt of deposit.	Approximately 1 to 7 days
Provision of assembly services, procurement of raw materials and conduct quality checking	Planning of manufacturing resources and procurement of raw materials and components from geographically diverse suppliers to ensure cost competitiveness, stability and timeliness of suppliers. Assembling, populating and placing of PCBAs in our Shenzhen Production Plant, and assembling of fully-assembled electronic products with our PCBAs by our own workforce or subcontractors and conduct quality checking on both semi-finished products and finished products.	Approximately 2 to 25 days
Inspection of our products including PCBAs and fully-assembled electronic product, delivery and settlement of outstanding payment	Our overseas customers may inspect products before shipment. We are usually responsible for delivery on FCA or FOB basis. For customers in the PRC, our customers will either arrange for collection of our products from our Shenzhen Production Plant or request us to deliver the products to their designated addresses.	Approximately 1 to 5 days
After-sale services	We provide after-sale services such as replacing defective products for our customers during the warranty period. During the warranty period, our Group normally allows the return and replacement of products mainly due to quality reasons.	Nil to 24 months

OUR PRODUCTION

The Production Process

The following chart shows the major steps generally involved in our PCB assembly and full electronic product assembly process:

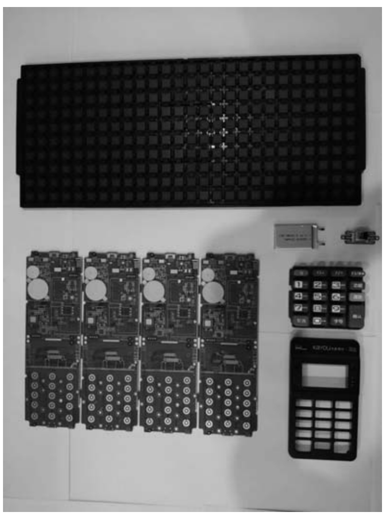


PCB Assembly

PCB assembly is the process of assembling, populating and placing of various kinds of electronic components (such as capacitors, resistors, integrated circuits, transistors and diodes and inductors) onto a PCB to form a functional PCBA. All of our PCBAs undergo the PCB assembly and populating process.

Set forth below is a brief description of each major step involved in the PCB assembly:

Raw materials, components and parts



We procure all or part of the raw materials, components and parts required for assembly such as (i) electronic components and ancillary materials (including PCBs, semiconductors, ICs, batteries and magnetic heads); and (ii) casing (plastic and metal parts), packaging materials, LCD screens and consumables, from our own source or the suppliers designated by our customers; or obtaining the same from our customers.

Solder paste printing

Solder paste, which is essentially powdered metal solder suspended in a thick medium flux, is applied onto the PCB. Solder paste is printed on the PCB by automated printer prior to assembly. At times, based on our customer’s requirements or product specifications, automated optical inspection (AOI) and/or visual inspection will be performed to ensure solder paste has been properly applied. This step is important to ensure that we apply solder paste only to the right parts of the PCB and mounting components have sufficient solder paste for good soldering after the PCBs are assembled.

SMT mounting

The automated mounters pick up components including chips, ICs, connectors by vacuum placement heads and place them on the PCB. Mounting time per chip ranges from 0.1 second to 0.3 second with high precision ranging from 0.01 mm to 0.05 mm. After placement, we will conduct visual inspection to check if components are properly placed according to our customer's requirements or product specifications.

Reflow soldering

After mounting, PCB is transferred by conveyor belt to pass through a re-flow oven for soldering the components. In the reflow oven, solder paste applied on the board is heated and melted to keep the IC in place, and then the molten solder paste is cooled to keep the IC attached to the PCB. This step is to solidify and adhere the electronic components onto the PCB.

Inspection and Quality control

An AOI of PCB manufacture where a camera autonomously scans the device under test for both catastrophic failure (e.g. missing component) and quality defects (e.g. fillet size or shape or component skew). It is commonly used in the manufacturing process because it is a non-contact test method. Machine vision systems optically scan the surface of the PCB to spot defects. Apart from AOI, we also conduct visual checking on our semi-finished and finished products. X-ray inspection, which allows us to see through layers and visualise lower layers of the PCBA to identify any hidden flaw of our PCBAs, is carried out for more complex or layered PCBs.

PCBA Function testing

The overall quality of the product will be checked by our staff or by the automated testing machines and ensure that it conforms to the required standards of both our Group and our customers, by means of testing on all of the work-in progress, immediate defect analysis and timely repair analysis. The test on finished product include visual checking and putting the PCBA through its paces, simulating the normal circumstances in which the PCBA will operate to check the PCBA's functionality and conformity to its design.

DIP parts placement

Depending on the design of the PCBA, which may include other electronic components that cannot be placed on the PCB by SMT. For instance, ICs which exceed 75mm x 74mm x 25.4mm cannot be inserted by SMT. Before the manual insertion, leads of the components have to been bent by our worker using bending tools. Then, the components with bent leads will be inserted manually into the through hole of component locations on the PCB. Visual inspection will be conducted to ensure that components are correctly inserted thereafter before wave soldering.

We generally assemble the PCBA with our SMT lines, while we assemble the PCBA which is used to convert AC to DC and control the voltage level of the ultrasonic devices with our DIP line.

In light of the high utilisation rate of our SMT assembly lines during the Track Record Period, we outsourced assembly works of our PCB assembly in the SMT production process (which include SMT mounting, reflow soldering and AOI inspection) to our subcontractors in March and April 2018. Our Directors confirmed that such increase in subcontracting engagements during the four months ended 30 April 2018 was principally an interim business measure taken by our Group; and this subcontracting arrangement was ceased in May 2018.

Full Electronic Product Assembly

Concerning the production process of our fully-assembled electronic products (excluding our tablets and certain of our mobile phones being produced by Independent Third Party suppliers), we mainly carried out the full electronic product assembling which consists of the manual assembly works and product testing at the Shenzhen Production Plant during the Track Record Period. However, to rectify the number of dispatched staff engaged by our Group which exceeded the regulatory threshold and increase the cost effectiveness of our product assembly process, we have been subcontracting most of the labour intensive and manual assembly works of our fully-assembled electronic products to our subcontractors who undertake the subcontracted work involving incorporation of the PCBAs manufactured by us in-house or our suppliers based on our requirements and specifications into the structural parts, casing, screens and other parts of the products including the packaging materials according to the product design and specifications to form and produce our fully-assembled electronic products under our supervision. As such, in respect of its production process, we focus on and undertake the quality control on the raw materials, semi-finished products and finished products by our quality control staff by way of visual inspection and with the assistance of machinery and equipment. Staff from both of our engineering team and quality control team are assigned to the production plant of our subcontractors to supervise the entire production process of our fully-assembled electronic products. We make use of machinery such as wireless communication analyzers to test the finished products' functionality and ascertain whether they conform to our customers' design. Upon the completion of the quality control procedures, we arrange for delivery of the finished products to our customers. The production lead time of our fully-assembled products varies by product. Generally, it is approximately 5 to 40 days.

OUR PRODUCTS

Our products comprise PCBAs and fully-assembled electronic products that are primarily embedded with the PCBAs produced by us in-house.

Based on the usage of the final electronic products which embedded with our PCBAs, our PCBAs can be broadly applied to electronic end products for three principal industries, namely, banking and finance, telecommunication and smart device.

Our fully-assembled electronic products that are embedded with the PCBAs primarily manufactured by us in-house mainly include mobile phones, digital projectors, mPOS and photovoltaic inverters which, together with our mobile phones and tablets with their production being outsourced to independent third-party companies, are sold under the respective brands of our customers or the brands of their ultimate customers.

The following table shows the revenue breakdown by products during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2015		2016		2017		2017		2018	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
							(Unaudited)			
PCBAs *(Note 1)*										
Banking and finance	19,221	10.5	50,657	18.9	62,084	16.7	20,365	15.2	14,198	7.8
Smart device	5,530	3.0	16,289	6.1	42,547	11.5	6,876	5.1	13,669	7.6
Telecommunication	53,612	29.3	24,247	9.1	12,844	3.5	2,285	1.7	6,542	3.6
Others *(Note 2)*	660	0.4	667	0.2	694	0.2	164	0.1	189	0.1
Fully-assembled electronic products *(Note 3)*										
mPOS	33,615	18.4	110,283	41.2	202,177	54.6	90,239	67.2	117,092	64.6
Tablets	—	—	—	—	12,185	3.3	6,247	4.6	21,054	11.6
Mobile phones	62,548	34.2	50,973	19.0	8,307	2.3	3,377	2.5	2,134	1.2
Digital projectors	5,586	3.0	6,432	2.4	3,478	0.9	825	0.6	1,970	1.1
Photovoltaic inverters	919	0.5	3,311	1.2	487	0.1	143	0.1	179	0.1
Others *(Note 4)*	1,234	0.7	5,031	1.9	25,359	6.9	3,830	2.9	4,147	2.3
Total	182,925	100.0	267,890	100.0	370,162	100.0	134,351	100.0	181,174	100.0

Notes:

(1) These PCBAs are sold as stand-alone products to our customers for their onward production of various kinds of electronic products in the industries set out below.

(2) Others mainly includes PCBAs for medical devices.

(3) The PCBAs embedded in these fully-assembled electronic products are primarily manufactured by us with a small portion being manufactured and supplied by our suppliers based on our requirements and specifications.

(4) Others mainly include signal amplifiers, remote controllers for home applicances and street light controllers.

The following table sets out the breakdown of revenue attributable to the sales of our PCBAs by the final electronic products in which our PCBAs embedded during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
PCBAs for banking and finance related devices					
— ATM	19,221	50,657	62,084	20,365	14,198
PCBAs for smart devices					
— IOT modules	4,628	6,663	20,968	5,036	7,404
— Sweeping robot	209	8,887	20,328	1,562	2,766
— Others	693	739	1,251	278	3,499
PCBAs for telecommunication devices					
— Mobile phones main board	46,030	16,316	5,901	1,515	979
— Telecommunication modules	7,582	7,870	6,920	745	5,563
— Others	—	61	23	25	—
Others					
— Ultrasonic devices	566	659	665	164	180
— Others	94	8	29	—	9
Total	79,023	91,860	118,169	29,690	34,598

The following table sets out the breakdown of products by sales volume during the Track Record Period:-

	For the year ended 31 December			For the four months ended 30 April	
	2015	2016	2017	2017	2018
	Number of approximate units ('000)	*Number of approximate units ('000)*	*Number of approximate units ('000)*	*Number of approximate units ('000)*	*Number of approximate units ('000)*
PCBAs					
Banking and finance	346	681	727	273	155
Smart device	2,048	3,194	8,182	1,790	3,982
Telecommunication	9,243	5,511	1,088	615	152
Others	30	16	18	10	12
Fully-assembled electronic products					
mPOS	778	4,025	6,259	3,414	2,589
Tablet	—	—	20	10	36
Mobile phones	3,494	620	43	28	48
Digital projectors	368	333	96	14	12
Photovoltaic inverters	18	42	9	3	4
Others	57	280	443	46	63
Total	16,382	14,702	16,885	6,203	7,053

The paragraphs below set out the reasons for the fluctuations of the sales volume of various product categories during the Track Record Period:-

(i) *PCBAs for banking and finance related devices*: The increase in sales volume from approximately 0.3 million units in 2015 to approximately 0.7 million units in 2017 was mainly attributable to the corresponding increase in purchase orders from Customer D for PCBAs for ATMs. Since Customer D will be launching a new generation of one of its ATM products which resulted in the decrease in order size for its old generation ATM products for the four months ended 30 April 2018 as compared to that for the four months ended 30 April 2017.

(ii) *PCBAs for smart devices*: The increase in sales volume of our PCBAs for smart devices from approximately 2.0 million units in 2015 to approximately 8.2 million units in 2017 was mainly attributable to (i) the corresponding increase in purchase orders from Customer G for PCBAs for sweeping robots; and (ii) the corresponding increase in purchase orders from Customer H for PCBAs for IOT modules. The increase in sales volume of our PCBAs for smart devices from approximately 1.8 million units for the four months ended 30 April 2017 to approximately 4.0 million units for the four months ended 30 April 2018 was mainly attributable to (i) the corresponding increase in purchase orders from Customer G for PCBAs for sweeping robots; and (ii) the corresponding increase in purchase orders from Customer J for PCBAs for IOT modules.

(iii) *PCBAs for telecommunication devices*: The decrease in sales volume of our PCBAs for telecommunication devices from approximately 9.2 million units in 2015 to approximately 1.1 million units in 2017 was mainly attributable to the maturity of product portfolio offered by brand owners that had utilised our telecommunication modules applied to their mobile phones and the shift of our product mix to other products with better margins, as compared with PCBAs for telecommunication devices, given the increased competition of the mobile phone market that has resulted in a decrease in profit margin of mobile phones.

(iv) *mPOS*: The increase in sales volume of mPOS as fully-assembled electronic products from approximately 0.8 million units in 2015 to approximately 6.3 million units in 2017 was mainly attributable to the increase in sale orders from Customer B. The decrease in sales volume of our mPOS from approximately 3.4 million units for the four months ended 30 April 2017 to approximately 2.6 million units for the four months ended 30 April 2018 was primarily due to the increase in sales of mPOS with a higher average unit price which required more production process and thus the volume decreased.

(v) *Mobile phones*: The decrease in sales volume from approximately 3.5 million units in 2015 to less than approximately 43,000 units in 2017 was mainly due to the change in our Group's product mix towards certain products with better margins such as the mPOS products given the increased competition of the mobile phones market that has resulted in a decrease in profit margin of mobile phone.

We generally assemble and manufacture PCBAs or full electronic products after receiving a purchase order from our customers. Depending on the requirements of individual customers, we procure all or part of the raw materials, components and parts required for assembly from the suppliers designated by our customers or our own source; or obtaining the same from our customers.

PCBAs

Our PCBAs are either sold to our customers as stand-alone products or be used for our in-house onward production of fully-assembled electronic products under the respective brands of our customers or their ultimate customers. We have experience in many methods of assembling PCBAs, from DIP to customised fine pitch SMT, depending on the complexity of the PCBAs and/or the fully-assembled electronic products that use our PCBA in production. Our PCBAs will go through a thorough circuit board test and inspection process that may include solder paste printing inspection ("**SPI**"), AOI, functional testing, and manual inspection. During the Track Record Period and up to the Latest Practicable Date, we had developed and manufactured various types of market specific PCBAs applicable to electronic end products catered for three principal industries, namely, banking and finance, smart device and telecommunication.

PCBA for banking and finance related devices

We assemble PCBAs for ATM machines and mPOS. In relation to the ATM machines, we have developed and manufactured PCBAs with varying specifications with functions to (i) control the dispatch and deposit of cash notes from the ATM machines; (ii) control the display screen and the lighting system of the ATM machines to indicate its operating status; (iii) handle user authentication, data encryption and decryption and data transmission processes; and (iv) convert AC to DC and keep the voltage level of the ATM machines at a preset or appropriate level. For the PCBA embedded in mPOS, we assemble the mainboard PCB and its functions are to (i) control the display screen of the mPOS to indicate its operating status; and (ii) handle credit card or ATM card verification, data encryption and decryption and data transmission processes.

PCBA for smart devices

A smart device is an electronic device, generally connected to other devices or networks via different wireless protocols such as bluetooth, Wi-Fi, 3G, etc., that can, to some extent, operate interactively and autonomously. We mainly assemble mainboard PCBAs and the PCBAs which are used to convert AC to DC and keep the voltage level of the smart devices such as sweeping robot main boards (掃地機主板), sweeping robot inductors (掃地機感應器), IOT modules (物聯網模塊) and smart cups.

PCBA for telecommunication devices

We assemble PCBAs for telecommunication modules (通訊模件), routers and signal amplifiers (信號放大器). Our PCBAs are generally applied to mobile phones, routers and driving recorders, and are used to control the communication between the devices and the transmitting stations. While the PCBAs are generally designed by our customers, we also offer simple PCB layout and PCBA design services upon our customers' requests.

Others

During the Track Record Period, we also developed and manufactured PCBAs for other devices such as medical devices. We offer medical PCBAs to our customers for their onward production of ultrasonic devices (超聲波機主機板), and the PCBAs for these medical devices are mainly designed by our customers.

Our automated machinery and equipment are capable of assembling PCBAs for medical devices and applications, which require a high level of accuracy.

Fully-assembled electronic products

For the fully-assembled electronic products of our Group, the PCBAs are primarily manufactured by us in-house, while other components are either sourced by us or provided by our customers. The products fully assembled by us that are embedded with our PCBAs manufactured by us in-house mainly include digital projectors, mPOS, mobile phones and photovoltaic inverters. Given that our production volume had reached the existing designed production capacity, we purchased fully-assembled tablets and certain mobile phones from Independent Third Party suppliers since 2016 and 2017, respectively and the components and PCBAs embedded therein are also provided by the relevant suppliers.

Digital projector

We developed and manufactured fully-assembled digital projector on an EMS basis for brand-owners and OEMs under the brand of our customers or the brand owners. These digital projectors are small sized and used for many applications such as conference room presentations and home cinemas.

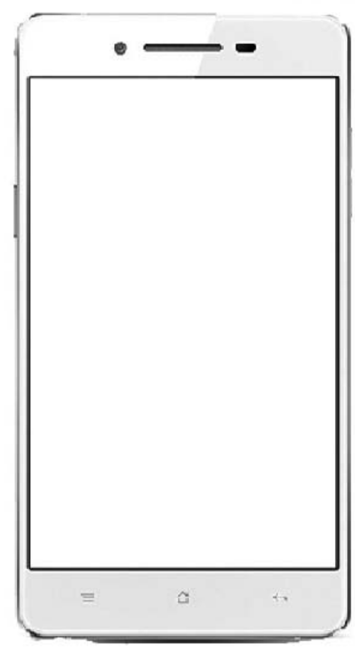
mPOS products

In view of the increasing mobile payment demand and need for transaction security and personal information protection in the PRC, we developed and manufactured fully-assembled mPOS products since 2015 on an EMS basis for various reputable mPOS product manufacturers in the PRC. The mPOS products are card reading devices that may be connected to smart devices such as smartphones to allow such smart devices to process payment transactions and function as mobile cash registers. The mPOS products provide a secure way to read information from credit and debit cards, and to perform functions similar to the larger and generally more expensive stationary POS terminals at retailers. The full mPOS products developed and manufactured by us are pocket-sized, handy and portable, to be used by ultimate end users such as retailers salespersons for secure and convenient mobile payment collection in anywhere.

Mobile phones

During the Track Record Period, we provided full electronic product assembly of mobile phones and smartphones. A smartphone is a mobile device which combines the function of a mobile phone and a conventional personal computer with functionality beyond making phone calls and sending text messages. A smartphone runs on an operating system which provides configuration options for the user to install and use various third-party applications. We design and offer mobile phones and smartphones with a wide range of technical specifications and functions to meet our customers' needs in different parts of the world.

Our mobile phones and smartphones adopted various mobile communication standards including 3G (the third generation of mobile communication standard that allows mobile phones, computers, and other portable electronic devices to access the internet wirelessly defined by the International Telecommunications Union) and 4G (the fourth generation of a mobile communications standard intended to replace 3G, allowing wireless internet access at a much higher speed) in GSM, WCDMA and LTE, etc. with different operating frequency applicable to different countries and regions.

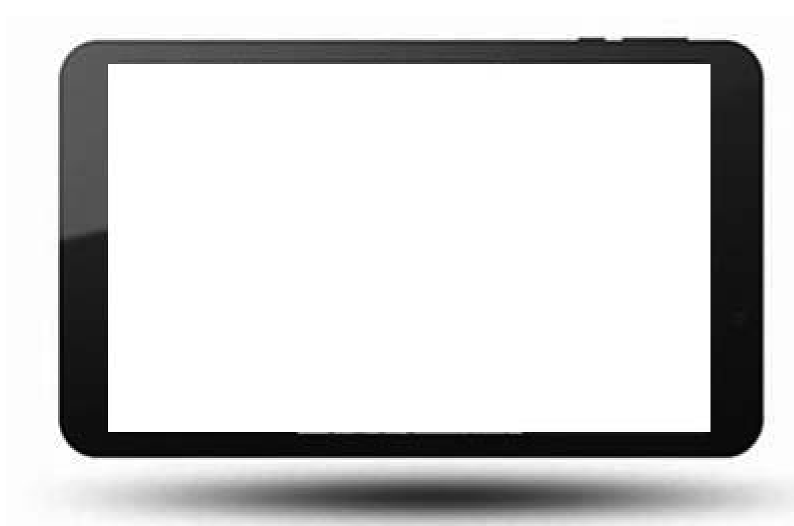


Photovoltaic inverter

Our photovoltaic inverters can convert the variable direct current (DC) output into an alternating current (AC) that can be fed into a commercial appliance. Also, it can handle high power and can be applied in outdoor inverters due to its corrosion-resistant characteristic.

Tablet

Our tablet is a small, portable personal computer with a touch screen as the basic input device. It runs on an operating system which provides configuration options for the user to install and use various third party function. For example, our tablets have been installed in taxis in Mexico to show the fastest route to any chosen destination and to provide information to passengers.



During the Track Record Period, our production volume had reached the existing designed production capacity. Since 2016, we have been placing corresponding purchase orders from overseas customers with Independent Third Party suppliers in Hong Kong for the entire production and supply of all of our tablets and certain of our mobile phones.

The table below sets forth the breakdown of our revenue attributable to the sale of our mobile phones and tablets respectively manufactured by our Group and by Independent Third Party suppliers during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Mobile phones					
— Manufactured by our Group	62,548	20,253	4,356	96	178
— Manufactured and supplied by Independent Third Party suppliers *(Note 1)*	—	30,720	3,951	3,281	1,956
Subtotal	62,548	50,973	8,307	3,377	2,134
Tablets					
— Manufactured by our Group	—	—	—	—	—
— Manufactured and supplied by Independent Third Party suppliers *(Note 2)*	—	—	12,185	6,247	21,054
Subtotal	—	—	12,185	6,247	21,054
Total	62,548	50,973	20,402	9,624	23,188

Notes:

1. All raw materials and components of these mobile phones including PCBAs were provided by the Independent Third Party suppliers.

2. All raw materials and components of these tablets including PCBAs were provided by the Independent Third Party suppliers.

SALES AND CUSTOMERS

As at 30 April 2018, our sales and marketing team comprised 17 staff members. Our sales and marketing team is responsible for formulating our Group's overall sales strategies, collecting and analysing market data and negotiating and finalising sales terms with our customers. Our sales and marketing team, along with our production team, provides sales and after-sale services to our customers.

For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, our PRC sales accounted for approximately 79.6%, 81.8%, 90.1% and 85.6%, respectively, of the total revenue of our Group and our overseas sales accounted for approximately 20.4%, 18.2%, 9.9% and 14.4% of the total revenue of our Group, respectively.

Customers

During the Track Record Period, our Group provided vertically integrated EMS solutions by offering customised PCBAs and fully-assembled electronic products to our customers, including local electronic product manufacturers, brand owners, OEMs and trading companies of various kinds of electronic products in the PRC, Mexico, United States and Hong Kong.

The following table sets forth the information about our revenue by geographical location of our customers during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2015		2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*Unaudited*)	*%*	*RMB'000*	*%*
The PRC	145,676	79.6	219,183	81.8	333,650	90.1	121,827	90.7	155,069	85.6
Mexico	—	—	—	—	16,502	4.5	6,246	4.6	21,054	11.6
United States	6,340	3.5	37,488	14.0	6,828	1.8	4,658	3.4	2,040	1.1
Hong Kong	8,962	4.9	3,898	1.5	38	0.1	38	0.1	—	—
Others *(Note)*	21,947	12.0	7,321	2.7	13,144	3.5	1,582	1.2	3,011	1.7
Total	182,925	100.0	267,890	100.0	370,162	100.0	134,351	100.0	181,174	100.0

Note: Others mainly include South Korea, Spain, Austria and Taiwan and each of such regions accounted for a nominal percentage of our total revenue ranging from approximately nil to 12.0%, nil to 2.7%, nil to 2.8% and nil to 1.0% for each of the three years ended 31 December 2017 and the four months ended 30 April 2018, respectively.

Our revenue generated from the sales of our products to customers located in the United States amounted to approximately RMB6.3 million, RMB37.5 million, RMB6.8 million and RMB2.0 million, respectively for the three years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, representing approximately, 3.5%, 14.0%, 1.8% and 1.1% of our total revenue during the corresponding periods. It is noted that while the U.S. government proposes to impose tariffs on certain products of China and the proposed list of products that would be subject to tariffs includes aerospace, information and communication technology, and machinery. Based on the proposed list of products published by the Office of the U.S. Trade Representative on 4 April 2018 and 20 June 2018, mobile phones and global locators (i.e. the only products sold by us to our customers in U.S. during the Track Record Period) are not on the proposed list. In addition, the proposed list of products that would be subject to tariffs will only be finalised after completion of the entire approval process for tariff action by the U.S. government. As such, we cannot ascertain whether our products will eventually be subject to tariffs until the announcement of the final determination on the tariff action and the publication of the finalised list of products that would be subject to tariffs.

In addition, our Directors are of the view that even if our Group's products will be subject to the tariffs to be imposed by the U.S. government, this will not have any material impact on our Group's operations for the following reasons:

(i) as advised by our U.S. Legal Advisers, given our Group's products are exported to the customers in the U.S. through shipment on a freight-on-board (FOB) basis or Free Carrier Hong Kong (FCA HK) basis, our Group does not directly import any products into the U.S. the U.S. tariff regulations do not apply directly to our Group. Instead, it is the importer of record who would be responsible for paying the duties;

(ii) save for the relatively high revenue contribution from the U.S. of approximately 14.0% in 2016, which was mainly attributable to the sale of mobile phones to Customer F, our Group's revenue generated from the U.S. accounted for an insignificant portion of our Group's total revenue during the Track Record Period, representing approximately 3.5%, 1.8% and 1.1% of our Group's total revenue for the two years ended 31 December 2015 and 2017 and the four months ended 30 April 2018, respectively; and our Group does not expect to record a significant increase in revenue from the U.S. in the near future. After Track Record Period and up to the Latest Practicable Date, our revenue derived from U.S. customers was less than RMB0.3 million.

Based on the above, our Directors are of the view that the imposition of tariffs by the U.S. government on Chinese import targeting information and communication technology sectors will not have any material impact on our Group's operations.

Top five customers

For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, our Group's sales to our top five customers accounted for approximately 75.3%, 76.4%, 80.3% and 86.9% of our total revenue in each of the respective periods. In the corresponding periods, sales to our largest customer accounted for approximately 27.0%, 41.1%, 44.9% and 61.3% of our total revenue, respectively. None of our Directors, their respective associates, and existing Shareholders who hold more than 5% of the issued share capital, had any interest in our five largest customers during the Track Record Period.

The tables below set forth the basic information of our Group's top five customers during the Track Record Period:

For the year ended 31 December 2015

Customers	Products sold to the customer	Principal business activities	Revenue generated from the sale	% of our total revenue	Credit period	The calendar year in which the customer first started to have business relationship with our Group
			(RMB'000)			
Customer A	Mobile phones and PCBAs of telecommunication devices	Customer A consists of two PRC companies whose parent company is listed on the Shanghai Stock Exchange and is engaged in the development, production and sale of mobile phones for several renowned mobile phone brands and sale of mPOS in the PRC	49,307	27.0%	30 days after the date of sales invoice	2011
Customer B	mPOS	A company listed on the ChiNext Board and is engaged in the research, development, production and distribution of various kinds of smart cards and payment-related terminals and related application systems	31,169	17.0%	30% down payment and the remaining 70% payable within 30 days after the date of sales invoice	2014
Customer C	Mobile phones	A Spanish company engaged in the development and sale of mobile phones	21,947	12.0%	No credit term	2014
Customer D	PCBAs of banking and finance related devices	Customer D consists of a PRC company and its branch company, which are engaged in the development and production of ATMs and their parts and accessories in the PRC	19,066	10.4%	30 days after monthly statement	2015
Customer E	Mobile phones and PCBAs of telecommunication devices	Being a subsidiary of a company listed on the Shanghai Stock Exchange and is engaged in the development, production and sale of mobile phones for several renowned mobile phones brands in the PRC	16,242	8.9%	60 days after monthly statement	2013

For the year ended 31 December 2016

Customers	Products sold to the customer	Principal business activities	Revenue generated from the sale (RMB'000)	% of our total revenue	Credit period	The calendar year in which the customer first started to have business relationship with our Group
Customer B	mPOS	A company listed on the ChiNext Board and is engaged in the research, development, production and distribution of various kinds of smart cards and payment-related terminals and related application systems	110,019	41.1%	50% down payment and the remaining 50% payable within 30 business days after the date of sales invoice	2014
Customer D	PCBAs for banking and finance related devices	Customer D consists of a PRC company and its branch company, which are engaged in the development and production of ATMs and their parts and accessories in the PRC	48,066	17.9%	30-60 days after monthly statement	2015
Customer F	Mobile phones	An U.S. company engaged in the development, production and sale of mobile phones	29,737	11.1%	No credit term	2016
Customer G	PCBAs of smart devices	Customer G consists of a PRC company and its parent company in Austria, which are engaged in development, production and sales of sweeping robots	8,871	3.3%	30% down payment and the remaining 70% payable within two weeks after delivery	2015
Customer E	PCBAs of telecommunication devices	Being a subsidiary of a company listed on the Shanghai Stock Exchange and is engaged in the development, production and sale of mobile phones for several renowned mobile phones brands in the PRC	7,908	3.0%	60 days after monthly statement	2013

For the year ended 31 December 2017

Customers	Products sold to the customer	Principal business activities	Revenue generated from the sale *(RMB'000)*	% of our total revenue	Credit period	The calendar year in which the customer first started to have business relationship with our Group
Customer B	mPOS	A company listed on the ChiNext Board and is engaged in the research, development, production and distribution of various kinds of smart cards and payment-related terminals and related application systems	166,057	44.9%	50% down payment and the remaining 50% payable within 30 business days after the date of sales invoice	2014
Customer D	PCBAs of banking and finance related devices	Customer D consists of a PRC company and its branch company, which are engaged in the development and production of ATMs and their parts and accessories in the PRC	61,544	16.6%	30-60 days after monthly statement	2015
Customer A	Mobile phones, PCBAs of telecommunication devices and banking and finance related devices	Customer A consists of two PRC companies whose parent company is listed on the Shanghai Stock Exchange and is engaged in the development, production and sale of mobile phone for several renowned mobile phone brands and sale of mPOS in the PRC	36,120	9.8%	30 days after the date of sales invoice	2011
Customer G	PCBAs of smart product	Customer G consists of a PRC company and its parent company in Austria, which are engaged in development, production and sales of sweeping robots	20,328	5.5%	30 days after delivery	2015
Customer H	PCBAs of telecommunication and smart devices	A PRC company engaged in the development and production of communication products and provision of IOT solutions	12,841	3.5%	30 days after monthly statement	2009

For the four months ended 30 April 2018

Customers	Products sold to the customer	Principal business activities	Revenue generated from the sale *(RMB'000)*	% of our total revenue	Credit period	The calendar year in which the customer first started to have business relationship with our Group
Customer B	mPOS	A company listed on the ChiNext Board and is engaged in the research, development, production and distribution of various kinds of smart cards and payment-related terminals and related application systems	111,102	61.3	40% down payment with in 30 business days after the date of purchase order and the remaining 60% payable within 30 business days after the date of sales invoice	2014
Customer I	Tablets	A Mexican company engaged in sales of computer equipment, accessories and software and Customer I is an indirect subsidiary of a company listed on the Shanghai Stock Exchange	21,054	11.6	20% down payment and the remaining 80% payable 30 days after delivery	2017
Customer D	PCBAs of banking and finance related devices	Customer D consists of a PRC company and its branch company, which are engaged in the development and production of ATMs and their parts and accessories in the PRC	14,198	7.8	30-60 days after monthly statement	2015
Customer A	Mobile phones, PCBAs of telecommunication devices and banking and finance related devices	Customer A consists of two PRC companies whose parent company is listed on the Shanghai Stock Exchange and is engaged in the development, production and sale of mobile phone for several renowned mobile phone brands and sale of mPOS in the PRC	6,136	3.4	30 days after the date of sales invoice	2011
Customer J	PCBAs for smart devices	A company listed on the ChiNext Board and is engaged in research, development, production and distribution of various kinds of IoTs and mobile wireless communication modules applied in different industries	5,020	2.8	30 days after monthly statement	2016

The table below sets forth further information of our top five customers during the Track Record Period:

Customers	Product portfolio	Target Market	Year of incorporation	Location of head quarter	Place of listing
Customer A	Mobile smart terminal, over-the-top home digital entertainment, industrial communications security, encrypted communications and IOT module for mobile internal financial payments	PRC and overseas	2005 and 2009 *(Note 1)*	PRC	The parent company of which is listed on the Shanghai Stock Exchange
Customer B	Smart cards, data security and related ancillary products	PRC and overseas	1999	PRC	ChiNext Board
Customer C	Mobile phones	Overseas	2010	Spain	Not applicable
Customer D	ATMs	PRC and overseas	2010 and 2015 *(Note 2)*	PRC	Not applicable
Customer E	Smart terminal devices	PRC and overseas	2009	PRC	The parent company of which is listed on the Shanghai Stock Exchange
Customer F	Mobile phones	U.S.	2008	U.S.	Not applicable
Customer G	PCBAs for sweeping robots and laser distance sensor	PRC and Europe	2010 and 2015 *(Note 3)*	Austria	Not applicable
Customer H	Modules for telecommunication devices, electricity meter reading, wearable devices, car navigation, car information management and industrial control equipment	PRC and overseas	2006	PRC	Not applicable
Customer I	Computer equipment, accessories and software	Mexico	1987	Mexico	An indirect subsidiary of a company listed on the Shanghai Stock Exchange
Customer J	Modules for IOT, telecommunication devices, electricity meter reading, car navigation and security	PRC and overseas	1999	PRC	ChiNext Board

Notes:

1. Customer A consists of two PRC companies whose parent company is listed on the Shanghai Stock Exchange, and the year of incorporation of these two PRC companies is 2005 and 2009, respectively.

2. Customer D consists of a PRC company and its branch company, and the year of incorporation of the PRC company and its branch company is 2010 and 2015, respectively.

3. Customer G consists of a PRC company and its parent company in Austria, and the year of incorporation of the PRC company and its Austrian parent company is 2015 and 2010, respectively.

The following table sets forth the aging analysis of trade and bill receivables as at 30 April 2018 for our top five customers during the Track Record Period:

Customers	**Trade and bill receivables as at 30 April 2018**	**1-3 months**	**Over 3 months**	**Subsequent settlement up to Latest Practicable Date**	**Percentage of subsequent settlement up to Latest Practicable Date**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*	*(%)*
Customer A	16,525	15,971	554	16,525	100.0
Customer B	94,922	94,922	—	94,922	100.0
Customer C	—	—	—	—	—
Customer D	12,859	12,855	4	7,730	60.1
Customer E	—	—	—	—	—
Customer F	1,960	1,960	—	—	—
Customer G	4,437	2,178	2,259	4,437	100.0
Customer H	1,284	1,284	—	1,284	100.0
Customer I	—	—	—	—	—
Customer J	6,144	6,144	—	3,816	62.1
Total	138,131	135,314	2,817	128,714	93.2

Our Directors consider that the overall credit quality of our top five customers is satisfactory for the following reasons:-

1. For the total trade and bill receivables of approximately RMB150.2 million as at as 30 April 2018, approximately RMB139.2 million was settled subsequently after the Track Record Period and up to the Latest Practicable Date;

2. There is no significant overdue for the trade and bill receivables as at 30 April 2018 for our top five customers during the Track Record Period. Out of the total amount of trade and bill receivables as at 30 April 2018 for our top five customers during the Track Record Period of approximately RMB138.1 million, only approximately RMB2.8 million was outstanding for more than 3 months; and

3. No provision of doubtful debt has been made for our top five customers during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, our Group did not have any material disputes with our major customers.

Sales generated from Customer B, Customer D and Customer G

During the Track Record Period, the increases in our Group's total revenue were mainly attributable to the increases in sales of mPOS and PCBAs for ATMs and sweeping robots mainly to Customer B, Customer D and Customer G (collectively, the "**Principal Customers**"), respectively.

Despite the brief tenure of the Principal Customer's engagement of us as their respective EMS provider in respect of the aforesaid electronics products in 2015, as a result of the continued increase in the purchase orders placed by them, each of the Principal Customers (save for Customer G) became our major customers since the first year of engagement, being ranked among our top five customers for each of the three years ended 31 December 2017 and the four months ended 30 April 2018. Notwithstanding that Customer G only started its business relationship with our Group in the third quarter of 2015, it subsequently became one of our top five customers in both 2016 and 2017. Our capability to secure a significant volume of orders from the Principal Customers at the inception of engagement was mainly attributable to (i) our success in demonstrating our production capacity and research and development capability at the pre-engagement stage; and (ii) our continuous effort to stay in close contacts with them from the early development stage of their relevant products and throughout the whole production process, during which various value-added services had been provided to them such as provision of technical advices and engineering solutions in respect of our products' manufacturing process. More importantly, prior to placing orders for mass production, we managed to provide assurance on product validation through trial production and verification testing on our product prototypes in accordance with the product design and specifications of the respective products of the Principal Customers.

During the Track Record Period, our Group's revenue generated from sales of mPOS to Customer B amounted to approximately RMB31.2 million, RMB110.0 million, RMB166.1 million and RMB111.1 million for the three years ended 31 December 2017 and the four months ended 30 April 2018, respectively. Our Directors believe that the continued revenue growth during the Track Record Period was mainly attributable to the increasing demand for our Group's mPOS from Customer B driven by (i) the granting of the UnionPay card product quality management certification* (銀聯卡產品質量管理認證) to Customer B from China UnionPay Co. Ltd. (中國銀聯股份有限公司) ("**China UnionPay**") in June 2015; (ii) the increasing trend towards the adoption of cashless payment systems in the PRC; (iii) the high quality of the EMS provided by our Group, which is evidenced by the awards received by our Group from Customer B during the Track Record Period; and (iv) the fact that our Group has effectively become the sole supplier of Customer B for UnionPay card acceptance terminal products since the issuance of the UnionPay card acceptance terminal product life cycle safety and quality management guidelines (銀聯卡受理終端產品生命週期安全與質量管理指南) (the "**Guidelines**") by China UnionPay in 2017.

For the three years ended 31 December 2017 and the four months ended 30 April 2018, the revenue generated from the sales of PCBA for ATMs to Customers D amounted to approximately RMB19.1 million, RMB48.1 million, RMB61.5 million and RMB14.2 million, respectively. Our Directors believe that the continued increase in the purchase orders from Customer D during the Track Record Period was attributable to (i) the increasing market demand for smart bank solutions from downstream banks; (ii) the ever-evolving technology; (iii) the increasing trend towards customisation; and (iv) the high quality of the EMS provided by our Group. In particular, our software copyright, namely, "Hengchang Sheng ATM machine advertising automatic promotion platform V1.0" was designed for the PCBA of ATMs supplied to Customer D. Furthermore, Customer D's satisfaction on the quality of the EMS provided by our Group is evidenced by its grant of the best supplier award to our Group in 2017.

For the two years ended 31 December 2017 and the four months ended 30 April 2018, the revenue generated from the sales of PCBA for sweeping robots to Customers G amounted to approximately RMB8.9 million, RMB20.3 million and RMB2.8 million respectively. Our Directors believe that the continued revenue growth in the sales of PCBA of sweeping robots to Customer G during the Track Record Period was attributable to the increasing trend towards customisation and the high quality of the EMS provided by our Group. In particular, our software copyright, namely, "Hengchang Sheng sweeping robot intelligent control system V1.0" was designed for the PCBA of sweeping robots for Customer G. Furthermore, Customer G's satisfaction on the quality of the EMS of our Group is evidenced by its grant of the quality service and integrity award to our Group in 2016.

Moreover, the growing trend in the mPOS, ATM and sweeping robot markets in the PRC over the past five years is considered to be one of the key factors contributing to the increasing demand for the respective products of the Principal Customers during the Track Record Period which, in turn, drove the demand for our Group's mPOS and PCBAs for ATMs and sweeping robots for the same period and, hence, the revenue growth in our Group's relevant product segments. For details of the market demand for mPOS, ATM and sweeping robots in the PRC, please refer to the paragraph headed "Industry Overview — Overview of electronic products market in the PRC — Market Demand Analysis for Selected Electronic Products" in this prospectus.

Principal contractual terms with our customers

We set out below the typical terms contained in our customers' cooperation agreements and purchase orders:

Product specification	Our customers will provide us with the specifications on the PCBAs and the prototype of the PCBAs including the PCB sizes, specifications and functions with respect to the ultimate products. For some customers, the purchase orders may give a brief outline or concept of the design and functions to be achieved only.

Quantity	The cooperation agreement might specify the minimum quantity per purchase order per month. Also, the customers might be required to provide demand forecast to facilitate our provision of EMS. During the Track Record Period, no customer had failed to satisfy the minimum quantity of purchase specified in the respective cooperation agreement and therefore, our Group has not received any compensation from our customers or imposed any penalty on our customers as a result of their failure to meet the minimum purchase quantity.
Credit terms	Save for new customers who are required to make full payment to us before we deliver the products to them, we generally grant credit periods to our customers varying from 30 to 120 days, depending on the creditworthiness of individual customers, which is determined on a case-by-case basis with reference to the customers' scale of operation, track record and length of business relationship with us.
Unit Price	The purchase orders from our customers usually set out the unit price of the products.
Quality and acceptance	Different cooperation agreements or purchase orders have different quality and acceptance standards, such as (i) sampling checks before delivery against individual customers' requisite passing rate of sampling checks; (ii) compliance with the international certification standard; (iii) compliance with the product specifications as mutually agreed between the customers and us in advance before production commences; or (iv) compliance with individual customers' internal quality control standards.
Delivery	For PRC customers, our customers will usually (i) arrange for collection of our products from our Shenzhen Production Plant; or (ii) request us to deliver the products to their designated addresses. For customers outside the PRC, the purchase orders will usually specify the basis under which the delivery shall be made (such as FCA or FOB basis). Some purchase orders specify that in case of delay in delivery, we shall pay compensation at an agreed percentage of the entire value of the relevant purchase order to the customers.

Warranty	We offer a warranty ranging from nil to 24 months from the date of delivery of our products in respect of the quality standards specified in the cooperation agreement or purchase orders. Such quality standards may include warranties that our products are in compliance with (i) the sample provided to the customer; (ii) the specified international certification standards; (iii) the product specifications as mutually agreed between the customers and us in advance; and (iv) individual customers' internal quality control standards.
Product return	We allow product returns and replacements due to the breach of our warranties in respect of the quality of the products if the requests for product return are made within the prescribed time set out in the cooperation agreements or purchase orders.

Sales

Payment methods

Our customers in the PRC usually settle payment by way of telegraph transfer, bank transfer or bank acceptance bills. As to the latter, we would accept bank acceptance bills if we have confirmed with the suppliers and they would allow us to settle our payment with them by endorsing the bank acceptance bills we received from our customers. The maturity of the bills receivables generally does not exceed six months. For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, approximately 26.1%, 20.3%, 34.0% and 12.9% of the revenue received from our customers was paid by bank acceptance bills for settlement and the purchase of our products, respectively.

During the Track Record Period, we experienced delays in receiving our trade and bill receivables. We have implemented a number of internal control procedures to enhance our management of our trade and bills receivables. For details, please see the paragraph headed "Risk Management" in this section.

Delivery and logistics

For PRC customers, our customers will either arrange for collection of our products from our Shenzhen Production Plant or request us to deliver the products to their designated addresses, which are usually in the vicinity of our Shenzhen Production Plant. Delivery of our products to customers is made via road or sea shipment. For products delivered via road within the PRC, our Group generally delivers the products by our own motor vehicles or engages third-party logistic service providers to deliver the products from our Shenzhen Production Plant to the destinations specified by the customers. Depending on the relevant contract terms, the delivery costs will be borne either by us or our customers. The risks of the products remain with our Group until the products are duly delivered to our customers' designated destinations. For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, our total delivery costs were approximately RMB0.9 million, RMB1.6 million, RMB2.1 million and RMB1.4 million, respectively. For our export sales to overseas customers, our products are delivered to the place or carrier designated by our customers on either FCA basis or FOB basis.

Products return policy and after-sale services

Product return policy: We offer a warranty ranging from nil to 24 months from the date of delivery of our products. During the warranty period, our Group normally allows the return and replacement of products mainly due to quality reasons. We generally categorise the product defects into technical defects and non-technical defects. Any technical defect found will be referred to our engineering team while all non-technical defects for instance, defects found on the surface of the product's packaging, will be handled by our sales and marketing team together with other relevant teams. We endeavour to respond to all customers' inquiries regarding any product defect within 24 hours to ensure that we are able to address any issue efficiently. During the Track Record Period, our Group had not experienced any significant product return and replacement owing to any quality issue, which would have caused any material and adverse impact on the financial condition and operating results of our Group.

After-sale services: The staff members of our sales and marketing team regularly pay visits to and communicate with our customers to collect their feedback on the quality, preferences, improvements and market demands of our products. Our sales and marketing team will share this information with our production team and research and development team in order to improve the existing products.

Complaint handling: Our sales and marketing team is responsible for handling customers' complaints. If a customer has lodged a complaint on the quality of our products and/or made a written request to return and replace a product, our sales and marketing team will pass the matter to our production team and quality control team to inspect the products under complaint. If the complaint and/or the request for product return and replacement is genuine, we will arrange for the replacement to be sent to customer.

CUSTOMER CONCENTRATION

For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, our Group's sales to our top five customers accounted for approximately 75.3%, 76.4%, 80.3% and 86.9% of our total revenue, respectively. In the corresponding periods, sales to our largest customer accounted for approximately 27.0%, 41.1%, 44.9% and 61.3% of our total revenue, respectively. Please refer to the section headed "Risk factors — Our Group had a concentration of customers during the Track Record Period and any decrease or loss of business from these major customers could adversely and substantially affect our operations and financial conditions" in this prospectus for the customer concentration risk.

Reasons for our customer concentration

Our Directors consider that our customer concentration during the Track Record Period is contributed by a combination of the following key factors:

(i) Our Group is able to maintain a stable relationship with our major customers. As at the Latest Practicable Date, our Group maintained business relationship ranging from approximately one year to ten years with our top five major customers during the Track Record Period. Furthermore, our Directors believe that our major customer tends to engage

EMS providers with proven high-quality work and on-time delivery track record, like our Group. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material product returns from our top five customers. Also, we did not have any material dispute with any of them. In addition, our Group has also received a number of awards from our top five customers in recognition of our service quality. For details, please refer to the paragraph headed "History, Development and Reorganisation — Our business development" in this prospectus; and

(ii) During the Track Record Period, we have obtained various utility model patents and software copyrights which had been applied on our PCBAs sold to our major customers. In particulars, one copyright have been applied specifically on the PCBAs of sweeping robots sold to Customer G, and two patents and one copyright have been applied specifically on the PCBAs of ATMs sold to Customer D. As such, our Directors believe that our possession of a range of utility model patents and software copyrights has caused our services more favourable to our major customers, and hence, it would be more difficult for them to switch to other EMS providers.

Our Directors believe that our Group's business model is sustainable despite such customer concentration due to the following factors:

(i) Our integrated and value-added services help strengthening our business relationship with our existing customers and bring in new customers

Some of our major customers had long-standing business relationship with us. We maintain our long-term business relationship with our customers by, among others, working together with them as a co-creation team or quasi partners in their development of new products by offering value-added integrated EMS to them at various stages of their product development and production. Our quality products, capability and research and development ability enable us to meet the requirements of different customers not only restricted to our top five customers but other existing and potential customers. We offer a wide range of PCBAs and fully-assembled products with different specifications to cater for our customers' needs. Attributed to the experience and expertise of our research and development team and our engineering team, we are able to provide design enhancement and verification services and technical advices and engineering solutions to them at the early stage of their development of a particular product. We allow these customers to send their representatives to our Shenzhen Production Plant to oversee the production process of their products if they find it necessary, which would facilitate a timely communication and exchange of ideas and feedbacks between our customers and us. Therefore, if any of our top five customers ceases to place orders to us and provided that we will have spare production capacity, our Group could serve other existing customers and new customers by re-allocating our production capacity. Therefore, our Directors are of the view that if there is diminishing volume of orders from the top five customers, we are still able to secure alternative orders from existing customers and solicit new customers to replenish our order book.

We will continue to endeavour to secure new business from our existing customers, which will enhance our profit-earning ability and industry recognition and thus would increase our competitive edge in securing new customers in the future and benefit our Group's profitability in the long run.

On the other hand, the ranking of our top five customers for each of the three financial years and the four months ended 30 April 2018 during the Track Record Period was different. This suggests that we did not place undue reliance on any particular customer among our top five customers throughout the Track Record Period for revenue generation. For the year ended 31 December 2017, our Group had started business relationships with new customers such as a company carries in the business of sale and purchase of computer equipment and peripherals in Mexico and a company engaged in the provision of smart street lighting and smart lighting solutions in the PRC which accounted for 3.3% and 1.7% of our revenue, respectively. As such, our Directors believe that our Group has reduced our reliance on our major customers.

(ii) Our expansion to new industry(ies) where our PCBAs can be applied

We are actively expanding the application of our PCBAs through developing PCBAs that are applicable to electronic end products for other industries. We are striving to strategically increase our level of participation in the product development of customers in other industry(ies) to enhance our industry reputation and recognition, diversify our source of revenue and bring more earnings to our Group. By doing so, our reliance on a particular customer or any particular electronic end products in a particular industry would be reduced.

RELATIONSHIP WITH CUSTOMER B

Background of Customer B

Customer B was our second largest customer for the year ended 31 December 2015 and the largest customer for each of the two years ended 31 December 2017 and the four months ended 30 April 2018. Our relationship with Customer B started in 2014 when we sold fully-assembled electronic products (including mPOS and smart cards reading devices) to it as our customer.

Customer B is a limited stock company listed on the ChiNext Board. It engages in the research, development, production, and distribution of various kinds of smart cards (including communication smart cards, financial integrated circuit cards, city cards, mobile multimedia broadcasting television receiving cards, tax control cards, social insurance cards, gas cards) and payment-related terminals and related application systems such as mPOS, bluetooth reading devices and other products related to mobile internet and payment service. As at the Latest Practicable Date, Customer B has a registered capital and market capitalization of approximately RMB430.1 million and RMB3,457.7 million, respectively. Based on its latest annual report released, Customer B recorded a revenue and net profit attributable to its shareholders of approximately RMB1,627.3 million and RMB19.8 million, respectively, for the year ended 31 December 2016.

Sales and seasonality during the Track Record Period

During the Track Record Period, the revenue generated from our sales to Customer B amounted to approximately RMB31.2 million, RMB110.0 million, RMB166.1 million and RMB111.1 million, representing approximately 17.0%, 41.1%, 44.9% and 61.3% of our total revenue, respectively. The growth was primarily attributable to the increase in Customer B's purchase orders of our mPOS arising from the trend for mobile payment demand and the need for transaction security and personal information protection in the PRC.

Our sales to Customer B is subject to seasonal fluctuations during the year and the increase in revenue generated from our sales to Customer B for the four months ended 30 April 2018 is consistent with what we believe to be the seasonal purchase patterns of Customer B. During the Track Record Period, our sales to Customer B were generally higher in the first four months of each year, and we believe that Customer B generally place orders around the first quarter of the year in anticipation of strong market demands for their products. As a result, our revenue generated from Customer B in the first four months ended 30 April 2017 and 30 April 2018 was relatively higher than the rest of each of the respective year. We expect to continue to experience such seasonality in the future. As such, any comparison of sales and revenue between different periods within a single financial year of our Group may not be meaningful and should not be relied upon as indicators of our performance. Subsequent to the financial year ended 31 December 2017 and up to the Latest Practicable Date, our sales to Customer B accounted for approximately 48.2% of our total revenue.

Sales and credit term during the Track Record Period

In view of the required purchases amount of raw materials specifically procured for the production of mPOS for Customer B and our working capital management in respect of our sales of mPOS to Customer B, the Group had imposed a more stringent credit term on Customer B as compared to other major customers of the Group. Due to the continued growth in our Group's sales of mPOS to Customer B, our Group had increased the down payment for each purchase order placed by Customer B by 20% from 30% for the financial year ended 31 December 2015 to 50% for the financial year ended 31 December 2016, and the down payment was retained as 50% throughout the financial year ended 31 December 2017. Nevertheless, having taken into account the payment history of Customer B for the two years ended 31 December 2017, our Group decided to lower the down payment from 50% to 40% in 2018 as a means to (i) maintain good business relationship with Customer B; and (ii) incentivise more purchase orders from Customer B.

Stable and sustainable business relationship between Customer B and our Group

Over the three years of cooperation, our management team has accumulated extensive knowledge in the products, operation standard, requirements and procedures of Customer B. Since then, we have maintained a close business relationship with Customer B. Given our turnkey EMS capabilities, we worked closely with Customer B throughout the whole production process and provided valued-added services in terms of cost saving, raw material selection procurements from its designated suppliers or our own suppliers and engineering solutions to it in its development of new products. Hence, we believe that Customer B considers us as its valued business partner and we have developed a stable and sustainable business relationship with Customer B.

Our reliance on Customer B would not affect our business prospects and sustainability

Along with maintaining a stable business relationship with Customer B, we have from time to time identified and taken on new customers that need our PCBAs for onward production of their electronic products or our fully-assembled products which meet their requirements in terms of their quality and functions. Our Directors confirmed that our Group has no intention to limit ourselves to focus on providing EMS to Customer B in the future, and having taken into account the following factors and measures taken by our Group, our Directors consider that our reliance on Customer B or the loss of Customer B would not have a significant adverse effect on our business prospects.

Our experience in serving sizeable customers like Customer B: Our business relationship with Customer B and track record in selling products to it can be regarded as a credit to our ability to provide quality EMS in both PCBA assembling and full electronic product assembling in the EMS industry in the PRC, which is highly competitive and fragmented. This will in turn attract more electronic product manufacturers and customers with a sizeable scale of operation, which adopt a stringent approach in their selection and sourcing of suppliers in a region, to cooperate with us in their product development and production. In addition, we believe that the development of our business relationship with Customer B enables us to better understand (i) the criteria, requirements and quality standard of sizeable and renowned customers; and (ii) the key elements and strategies for effective customer management and provision of services to these renowned customers, which can be replicated to other customers. We consider our relationship with Customer B to be in line with our Group's strategy to focus on establishing long-term relationships with reputable customers. On the other hand, there is no restrictive covenant in selling our products to Customer B which forbids or restricts our Group to provide EMS or sell our products to other customers. Therefore, we are free to look for other customers in the PRC.

Owing to our experience in providing quality EMS to customers in the PRC, including Customer B, our Directors do not foresee any difficulty for us to look for other customers.

Transferability of our skills. In the unlikely event that our current business relationship with Customer B deteriorates or ceases, we shall still be able to avail our capabilities and resources to serve other customers. Our skills can be readily transferred to serve other potential customers to satisfy their needs. Based on our past experience, we foresee that it would not incur significant costs if our Group re-allocates our resources to serve other customers. The preparation works required to serve new brand owners and fulfilling individual customers' requirements are not expected to incur any significant cost. Hence, our Directors are of the view that our Group is able to meet the demands of other customers and thus, the changing market.

Difficulties faced by Customer B in engaging other EMS providers in the PRC in place of our Group. To the best knowledge and belief of our Directors after making all reasonable enquiries with Customer B, our Directors note that Customer B, being a technology company listed on the ChiNext Board and engaged in research, manufacture and sale of various kinds of smart cards and related application systems, the process of identifying and approving a supplier could be time consuming and might result in unforeseen operational problems to Customer B, as Customer B has its own criteria and protocol in its selection of EMS providers. Furthermore, we have a proven record in providing value-added EMS to Customer B in its development of new product.

Given that Customer B will continue to focus on its research and development of new products, in particular, telecommunication devices and financial products, such as mPOS and other mobile phone connected payment devices and systems and it does not have its own production plant for production and assembling of products in the PRC, Customer B is expected to continue to rely on our Group's EMS. Our Directors believe that it would be rather difficult for Customer B to replace our Group with some other EMS providers as we (i) have acquired knowledge of Customer B's corporate culture, quality standard and approval protocol of its products; (ii) provide value-added and customised EMS for the manufacture of its products whereas other electronic product manufacturers will manufacture on the products on OEM basis without providing any input to the products' design and engineering solutions; and (iii) have had over three years of close cooperation with Customer B.

It is noteworthy that after the first year of cooperation, Customer B had largely increased its purchase mPOS during the Track Record Period, due to, in our Directors' observation, the quality of our products and our ability to deliver the products to it on a timely basis. Our Directors believe that Customer B has confidence in our ability to closely work together in developing its products. Further, Customer B issued a strategic cooperation confirmation to Shenzhen Hengchang Sheng on 10 June 2017, pursuant to which Customer B expressly confirmed that (i) Shenzhen Hengchang Sheng, as its most important supplier of mPOS, would remain the long term strategic cooperation partner of Customer B in the future; and (ii) the business relationship between Customer B and us could be described as mutually beneficial and complementary. Besides, Shenzhen Hengchang Sheng was awarded the outstanding cooperation partner award and Customer B's strategy cooperation award by Customer B in 2016 and 2017, respectively. As such, our Directors believe that we had played and will continue to play a significant role in the business operation of Customer B.

In addition, our Directors are of the view that it is not easy for Customer B to replace our Group by engaging other EMS providers if it cannot find an EMS provider with a scale of operation comparable to us as (i) it would increase its administrative work and expenses if it has to arrange the manufacture and assembling of its products to a number of EMS providers and monitor or review the performance of these EMS providers at one time; and (ii) the automation level of the production facilities of these new EMS providers may not be able to meet Customer B's standard and requirements from time to time.

On 5 January 2017, China UnionPay published the Guidelines, which set out various requirements to provide guidance in relation to the design, the safety of production process and the quality management of the UnionPay card acceptance terminal product, so as to increase the product design and quality management standards of the manufacturers of such products. Upon the request of China UnionPay, a factory review has been conducted at our Shenzhen Production Plant based on the requirement set out in the Guidelines on 9 August 2017. On 27 November 2017, China UnionPay has published a list of compliant terminal enterprise under the Guidelines (銀聯卡受理終端產品生命週期安全與質量管理指南合規終端企業名單), whereby Customer B was listed as a compliant enterprise and our Shenzhen Production Plant was the only production plant listed as the compliant production plant of Customer B. Hence, our Shenzhen Production Plant is the only production plant eligible to supply UnionPay card acceptance terminal products to Customer B and Customer B has to rely on our Shenzhen Production Plant to supply such product.

During the Track Record Period, 93% of the mPOS supplied by us to Customer B were for UnionPay card acceptance terminal products. Furthermore, the purchase orders received by us from Customer B in relation to UnionPay card acceptance terminals remained substantial subsequent to the Track Record Period and up to the Latest Practicable Date, and we have received various purchase orders from Customer B for the production of approximately 0.2 million units of UnionPay card acceptance terminal products in total for the same period.

In addition, Customer B confirmed with us in writing that:-

(i) we are the largest supplier to Customer B in relation to mPOS;

(ii) Customer B used to engage other suppliers as well to supply UnionPay card acceptance terminal products before the release of the Guidelines. However, compared to Shenzhen Hengchang Sheng, these other suppliers have a relatively smaller scale;

(iii) after the release of the Guidelines, Customer B has to engage Shenzhen Hengchang Sheng to supply UnionPay card acceptance terminal products until it can find a new supplier which is also approved by China UnionPay; and

(iv) under its supplier assessment policy, Customer B has to carry out various procedures, such as a factory review, to assess the ability of a new supplier, and such procedures will usually take four to five months to complete. Also, based on our previous experience, it might take an additional ten months for UnionPay to approve the new supplier of Customer B. Therefore, it will take up to 14 to 15 months for Customer B to have a new supplier for UnionPay card acceptance terminal products.

Further, a material supply and processing agreement has been entered into between Customer B and our Group on 12 February 2018 which set out the basic terms for our provision of EMS to Customer B (including quality requirement, delivery, payment method and credit terms) with a duration of one year.

Taking into account the above factors and observations, our Directors are of the view that it is both difficult and unlikely for Customer B to replace our Group without a material negative impact on its business and operation in the PRC.

Our experience, reputation, connection and proven track record in the EMS industry. Our Group has been providing EMS to different customers, which manufacture and distribute electronic products across different industries. Our success was attributable to our efforts in working closely with our customers in developing their products, the automation level of our Shenzhen Production Plant and our reputation for offering quality EMS to customers. Hence, if we lose Customer B as our major customer, our Group, with our reputation in the industry, production facilities and expertise, can avail our resources to provide EMS to meet the requirements of other customers. In the unlikely event that our current business relationship with Customer B deteriorates or ceases, we believe that with our Directors' experience, reputation and connection to the EMS industry in the PRC would enable us to respond to market challenges and adjust our business direction swiftly to face any new challenge. We plan to diversify our pool of customers and broaden our revenue stream in the long run, and will continue to (i) maintain a close business relationship with Customer B; and (ii) identify potential sizeable customers which look for EMS providers who can offer quality EMS. Our Directors believe that, with our experience and proven track record in the EMS industry, we will be able to replicate our success in the unlikely event that our relationship with Customer B deteriorates or ceases.

Our management team has an extensive and in-depth knowledge of the EMS industry in the PRC. Our founder, chairman, executive Director, Mr. Ma and our executive Director, Mr. Cheng both have more than 16 years of experience in the EMS industry market in the PRC. We consider that they are important in driving our future business development.

Relationship with our five largest customers during the Track Record Period

None of our Directors, their respective close associates, or any Shareholders who or which own more that 5% of the issued share capital of our Company as at the Latest Practicable Date, had any interest in any of the five largest customers of our Group during the Track Record Period. Our Group had not experienced any major disruption in business due to material delays or defaulting payments by our customers by reason of their financial difficulties. Our Directors further confirm that they are not aware of any of our major customers having experienced material financial difficulties that may materially affect our Group's business.

PROVISION OF EMS TO OVERSEAS CUSTOMERS

In respect of our fully-assembled electronic products, along with our sales to the local customers, we also provide EMS for mobile phones, tablets and other telecommunication devices to a few overseas customers under their brands or the relevant brand owners. Eternity Technology, our subsidiary in Hong Kong, is mainly responsible for initiation and conclusion of sales and purchase transactions with overseas customers. Upon receipt of the purchase orders from our overseas customers, Eternity Technology would place corresponding purchase orders to Shenzhen Hengchang Sheng, which is our major operating subsidiary and provides a full range of EMS to our customers, for the design enhancement and verification (if required), raw materials selection and procurement, assembling services, quality control and after-sale services. However, as a result of reallocation of our overall resources and refinement of our product mix, since 2016, Eternity Technology has started placing corresponding purchase orders with independent third-party companies in Hong Kong other than Shenzhen Hengchang Sheng for outsourcing the production of the fully-assembled mobile phones and tablets embedded with the PCBAs manufactured or provided by these independent companies.

For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, the revenue attributable to the sales of our mobile phones with their production being outsourced to independent third-party companies amounted to nil, approximately RMB30.7 million, RMB4.0 million and RMB2.0 million respectively, which accounted for nil, approximately 60.2%, 49.1% and 91.7% of our total sales of mobile phones for the relevant period. Our sales of tablets with their production being outsourced to independent third-party companies were only commended in 2017 and the total revenue derived therefrom amounted to approximately RMB12.2 million and RMB21.1 million for the year ended 31 December 2017 and the four months ended 30 April 2018 respectively.

Intra-group transactions between Shenzhen Heng Chang Sheng and Eternity Technology

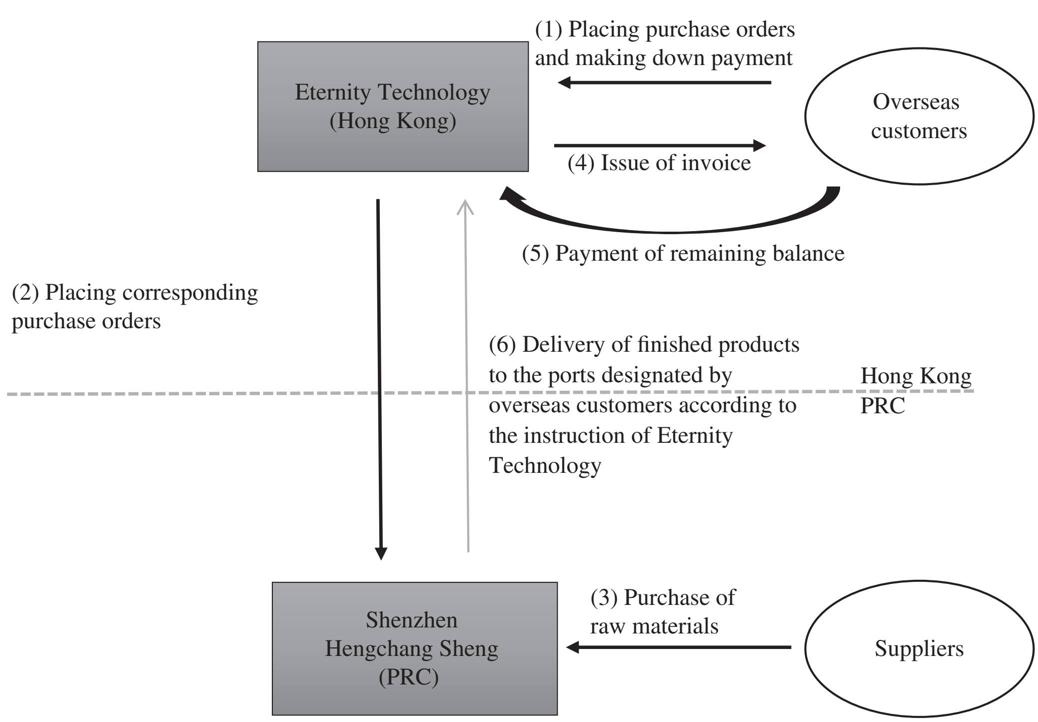
During the Track Record Period, most of our overseas sales orders were concluded by Eternity Technology in Hong Kong with our overseas customers.

For exports sales, Shenzhen Hengchang Sheng will deliver the finished products to the ports in Hong Kong as designated by Eternity Technology, which is in turn based on the instruction of the overseas customers. The transactions between Shenzhen Hengchang Sheng and Eternity Technology are treated as sales of Shenzhen Hengchang Sheng to Eternity Technology and the selling prices are based on the then prevailing market price of our products. Our Directors confirmed that the relevant intra-group transactions were conducted on normal commercial terms. Notwithstanding that, we may be challenged by the relevant tax authorities on the appropriateness of these transactions and may be subject to possible tax exposure arising from our transfer pricing arrangement. Please also refer to the paragraph headed "Risk Factors — Our operations may be subject to transfer pricing adjustments by competent authorities" in this prospectus. Our Directors confirmed that up to the Latest Practicable Date, our Group had not been subject to any enquiry, audit or investigation by any tax authority in the PRC or Hong Kong with respect to transfer pricing carried out by our Group.

The functions undertaken by Eternity Technology therefore mainly include initiation and contracts conclusion in the name of Eternity Technology. The functions undertaken by Shenzhen Hengchang Sheng include offering PCB assembly services and full product assembly services to our customers based on their ideas and specifications with input to design enhancement and verification, raw materials selection and procurement, assembling services, quality control, logistic and delivery and after-sale services.

Intra-group transactions

The flow chart below shows the major steps and parties involved in the intra-group transactions between Eternity Technology and Shenzhen Hengchang Sheng.



Stage 1 — Overseas customers place orders with Eternity Technology

- Most of overseas customers' sales activities are handled by Eternity Technology.

- Eternity Technology is mainly responsible for initiation and conclusion of sales and purchase transactions with overseas customers.

- Eternity Technology also receives the purchase price remitted from our overseas customers.

Stage 2 — Provision of EMS by Shenzhen Hengchang Sheng

- Once Eternity Technology has received purchase orders from overseas customers, it will place the corresponding purchase orders with Shenzhen Hengchang Sheng for the design enhancement and verification, raw materials selection and procurement, assembling services, quality control, logistic and delivery and after-sales services.

- The respective price in the purchase orders from Eternity Technology was based on the prevailing marketing condition.

- Shenzhen Hengchang Sheng procures raw materials from independent third party suppliers.

- Shenzhen Hengchang Sheng is also responsible for quality assurance.

Stage 3 — Logistics management

- Shenzhen Hengchang Sheng is responsible for the whole logistics arrangement for delivering the products from the Shenzhen Production Plant to the location designated by Eternity Technology, which is in turn based on the instructions from the overseas customers on FCA or FOB basis.

During the Track Record Period, the pricing of the sales of finished products between Shenzhen Hengchang Sheng and Eternity Technology was based on the cost-plus basis. We assessed and referenced similar transactions in the market and are of the view that the transactions are carried out under arm's length basis.

In order to assess whether the sales between Shenzhen Hengchang Sheng and Eternity Technology were carried on an arm's length basis, we have engaged an independent tax consultant (the "**Tax Consultant**"), the tax department of one of the largest international auditing, tax and advisory firms, to conduct an analysis of the above transactions by benchmarking the profit margin ranges derived from companies comparable to Eternity Technology during the Track Record Period. Given the functional profile of the parties involved in the transactions, transaction net margin method is selected as an appropriate transfer pricing analysis methodology to test the arm's length nature of the above transactions. Based on the analysis, our Directors are of the view that the transactions between Shenzhen Hengchang Sheng and Eternity Technology are conducted in accordance with the arm's length principle from Hong Kong and PRC perspectives.

Based on the discussion with the Tax Consultant and the above comprehensive assessment basis by reference to similar market transactions and applying the profit margin ranges derived from comparable companies during the Track Record Period by the Tax Consultant, the Directors take the view that the transfer pricing arrangement under the above transactions between Shenzhen Hengchang Sheng and Eternity Technology complies with the applicable transfer pricing rules and regulations in the PRC and Hong Kong, which require related party transactions to be carried out at arm's length basis.

Commercial rationale

Our Directors believe that such transaction enhance the effectiveness of our overall management and operations and allocation of resources, refine our product mix and avoid the concentration of our marketing and production function into a single entity with our Group.

Measure to ensure on-going compliance

Our Group's transfer pricing arrangement is part of a normal trading operation where a transaction price needs to be established. We have implemented a general policy in this area to follow the arm's length principle and to achieve an arm's length outcome. We will regularly review the arrangements between Shenzhen Hengchang Sheng and Eternity Technology, and where necessary, appoint tax consultant to review such transfer pricing arrangements to ensure compliance with the arm's length principle.

As at the Latest Practicable Date, Shenzhen Hengchang Sheng has completed all the relevant tax filings related to its related party transactions in compliance with the relevant PRC laws and regulations and we were not aware of any enquiry, audit or investigation by any tax authority in the PRC or Hong Kong with respect to transfer pricing carried out by our Group.

PRICING POLICY

We determine the prices of our PCBAs and fully-assembled electronic products on a cost-plus basis. Since each product has its own specifications or requirements, the pricing of each product is negotiated and determined on a case by case basis with individual customers in order to maximise the profitability of our Group.

The price of our products is determined by reference to a number of factors including, but not limited to, production costs, costs of raw materials, complexity of the manufacturing process, lead time, packaging requirements and the size of the order.

As a result of the "cost-plus" pricing strategy, our Directors believe that our Group generally passed the risks arising from any fluctuation in the purchase costs of raw materials to customers during the Track Record Period. In this connection, we continuously keep ourselves abreast of changes to the market prices, conduct regular reviews on the pricing policy and pay close attention to responses from customers during the negotiations/quotations stage. Our Group may adjust the pricing policy to ensure our Group is responsive to changes in the market price in a timely manner to avoid any material adverse impact on our market position, competitiveness, performance and financial conditions.

For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, the minimum, maximum and average unit price of our products are as follows:

	For the year ended 31 December									For the four months ended		
	2015			2016			2017			30 April 2018		
	Min	Max	Average	Min	Max	Average	Min	Max	Average	Min	Max	Average
	RMB	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*	*RMB*
PCBAs												
Banking and finance	2.9	550.8	55.5	2.9	905.3	74.4	1.4	905.3	85.4	1.4	905.3	91.3
Smart device	0.4	1,495.7	2.7	0.3	672.4	5.1	0.2	1,621.1	5.2	0.1	299.2	3.4
Telecommunication	0.1	85.7	5.8	0.2	176.9	4.4	0.4	601.4	11.8	0.5	573.1	43.0
Others	1.7	2,096.9	22.1	1.5	6,891.9	42.0	1.5	8,131.0	38.2	1.5	150.0	16.2
Fully-assembled electronic products												
mPOS	27.3	61.1	43.2	8.3	237.6	27.4	5.3	597.3	32.3	21.5	597.3	45.2
Tablet	—	—	—	—	—	—	566.9	651.0	600.1	583.1	592.1	585.6
Mobile phones	0.6	1,424.5	17.9	0.5	628.9	82.2	108.7	430.0	193.1	7.4	89.0	44.9
Digital projectors	1.4	250.0	15.2	0.5	845.3	19.3	0.5	479.5	36.1	0.9	897.1	163.0
Photovoltaic inverters	20.0	256.4	50.8	20.0	787.0	78.9	6.3	299.2	56.7	6.3	104.7	45.5
Others	1.0	304.4	21.7	0.2	629.1	18.0	0.4	365.3	57.3	3.4	365.3	66.2

Note: *The pricing of our PCBAs and fully-assembled electronic products is on a cost-plus basis and is also subject to the specifications and requirements provided by our customers. The unit price ranges are prepared by piece, regardless of the product specification, order quantity, raw materials required and other elements which may factor in the pricing of PCBAs and fully-assembled electronic products by order. As a result, there could be significant difference between the minimum and maximum prices of certain products during the Track Record Period.*

The following paragraphs set out the reasons for the fluctuations of the average prices of our products under various product categories during the Track Record Period:

(i) *PCBAs for banking and finance related devices*: Our PCBAs for banking and finance devices mainly consisted of the PCBAs provided to Customer D for their onward production of ATMs. The increase in the average price of our PCBAs for banking and finance related devices from RMB55.5 for the year ended 31 December 2015 to RMB91.3 for the four months ended 30 April 2018 was mainly due to the increase in complexity of the design of the PCBAs so as to cope with the security requirements of ATMs.

(ii) *PCBAs for smart devices*: The increase in the average price of the related PCBAs from RMB2.7 for the year ended 31 December 2015 to RMB3.4 for the four months ended 30 April 2018 was mainly due to the change in the product mix, resulting from the increase in order for PCBAs for sweeping robots from Customer G. The revenue contributed by the sales of PCBA for sweeping robots (which have a higher price per unit) increased from approximately RMB0.2 million for the year ended 31 December 2015, representing approximately 3.8% of the total sales of PCBAs for smart devices for the relevant year, to approximately RMB2.8 million for the four months ended 30 April 2018, representing approximately 20.2% of the total sales of PCBAs for smart devices for the relevant period.

(iii) *PCBAs for telecommunication devices*: The increase in the average price of our PCBAs from RMB5.8 for the year ended 31 December 2015 to RMB43.0 for the four months ended 30 April 2018 was mainly due to the change in the product mix, namely, the decrease in order for PCBAs for mobile phones. The revenue contributed by the sales of PCBAs for mobile phones (which have a lower price per unit than PCBAs for other products in the telecommunication industry, such as those embedded in cellular base stations) decreased from RMB46.0 million for the year ended 31 December 2015, representing approximately 85.9% of the total sales of PCBAs for telecommunication devices for the relevant year, to approximately RMB1.0 million for the four months ended 30 April 2018, representing approximately 15.0% of the total sales of PCBAs for telecommunication devices for the relevant period.

(iv) *Mobile phones*: The average price of our mobile phones increased from approximately RMB17.9 for the year ended 31 December 2015 to approximately RMB44.9 for the four months ended 30 April 2018. It was due to the increase in costs for the purchase of raw materials as more customers required us to provide raw material selection and procurement services in addition to our assembly services.

Tax rebate

During the Track Record Period, part of our PCBAs and fully-assembled electronic products were exported to overseas countries mainly to Mexico, United States and Hong Kong from the PRC or via Eternity Technology. For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, the revenue generated from our export sales amounted to approximately RMB37.2 million, RMB48.7 million, RMB36.5 million and RMB26.1 million, representing approximately 20.4%, 18.2%, 9.9% and 14.4% of our total revenue for the relevant periods, respectively. We were therefore entitled to a rebate of the VAT from the PRC tax authority arising from these export sales at a rate of 17% for our PCBAs and from 5% to 17% for our fully-assembled electronic products. We received export tax rebate in the respective sum of approximately RMB0.1 million, RMB0.8 million, RMB1.7 million and RMB0.1 million for each of the three years ended 31 December 2017 and the four months ended 30 April 2018, respectively.

The amount of tax rebate is calculated by multiplying the invoiced value of our export sales with the tax rebate rate applicable to the export product type. Application of tax rebate has to be made to the tax authority. Should the PRC tax authority finds the documents submitted in relation to the application of tax rebate in order, the tax rebate will be realised, by way of offsetting the VAT payable or cash settlement, within one month. The purpose of the tax rebate is to refund the VAT incurred on the raw materials we sourced for the production of our products in the PRC, which were subsequently exported to overseas countries.

PRODUCTION FACILITIES AND UTILISATION

Our Shenzhen Production Plant is located in Pingshan District, Shenzhen, Guangdong Province, the PRC. For details, please refer to the paragraph headed "Property" in this section. All our SMT assembly lines for production of PCBAs for sale as stand-alone products or for our onward production of our fully-assembled electronic products are installed in our Shenzhen Production Plant. Except for (i) a small portion of the fully-assembled electronic products which were incorporated with the PCBAs supplied by our suppliers based on our requirements and specifications and (ii) the mobile phones, tablets and other telecommunication devices produced by independent third party companies in Hong Kong engaged by Eternity Technology for overseas customers, we used our SMT assembly lines in our Shenzhen Production Plant to produce most of our PCBAs (including both the PCBAs be sold as stand-alone products or embedded in our fully-assembled electronic products) during the Track Record Period. Therefore, our SMT assembly lines collectively form an essential component of our production process and the production capacity of our Shenzhen Production Plant is subject to the production capacity of our SMT assembly lines. As such, we calculate our annualised utilisation rate of our Shenzhen Production Plant based on the annual aggregate production capacity of our SMT production lines in term of machine hour. The following table sets out the production capacity and utilisation rate of our Shenzhen Production Plant, based on the machine hours and productive machine hours of our SMT assembly lines during the Track Record Period:

Production capacity and utilisation rate of our SMT assembly lines and DIP assembly lines

	For the year ended 31 December			For the four months ended 30 April
	2015	**2016**	**2017**	**2018**
Number of SMT lines *(Note 1)*	11-13	11-12	10-11	10
Number of SMT machine hours (hours) *(Note 2)*	80,850	76,818	69,573	20,244
Number of productive SMT machine hours (hours) *(Note 3)*	72,920	69,153	63,323	18,743
Utilisation rate (%) *(Note 4)*	90.2	90.0	91.0	92.6

Notes:

1. The number of SMT lines includes both SMT assembly lines owned by us and leased from third party lessors during the Track Record Period.

2. The number of SMT machine hours is calculated by multiplying the number of SMT lines by the number of hours in a day and the number of days in a year that our SMT machines are expected to operate. The above calculation is based on the assumptions that our SMT machines operate 21 hours a day, and 323 days, 321 days, 316 days and 99 days for each of the three years ended 31 December 2017 and the four months ended 30 April 2018, respectively.

3. The number of productive SMT machine hours refers to the total number of the actual machine hours utilised in production, which includes set-up time but excludes unforeseen maintenance downtime.

4. The utilisation rate is calculated by dividing the number of productive SMT machine hours by the number of SMT machine hours.

The following table sets out our annual production capacity, actual annual production time and utilisation rate of our DIP assembly lines during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April
	2015	**2016**	**2017**	**2018**
Number of DIP assembly lines	Two	Two	Two	Two
Number of production capacity (hours) *(Note)*	3,952	4,592	4,624	1,376
Number of actual production time (hours)	2,741	3,251	3,618	1,185
Utilisation rate (%)	69.4	70.8	78.2	86.1

Note: The number of annual production capacity is calculated by assuming six workers per day per DIP assembly lines and by multiplying the number of DIP assembly lines by the number of hours in a day and the number of days in a year that our DIP assembly lines are expected to operate under our production plan. The above calculation is based on the assumptions that DIP assembly lines operate eight hours a day, and 247 days, 287 days, 289 days and 86 days for each of the three years ended 31 December 2017 and the four months ended 30 April 2018, respectively.

Production capacity of our manual workers and simple machinery for production of fully-assembled electronic products

Owing to the unique nature of different kinds of electronic products where the assembling of which require substantive manual works of the assembling workers with the assistance of small machinery and tools, our Directors consider that it is not feasible nor practicable to quantify and disclose detailed utilisation rate regarding our provision of fully-assembled electronic products due to the following reasons:

(i) Different fully-assembled electronic products with different product structure, complexity and usage would require different assembling time and different number of skilled workers for carrying out the assembling works. It is therefore not entirely feasible to quantify the capacity of our assembling workers and/or the small machinery and tools used by them;

(ii) If the assembling workers are left idle at the Shenzhen Production Plant awaiting further orders, we would deploy them to assist in other matters such as the operation of SMT lines or packaging of our products in our Shenzhen Production Plant;

(iii) Our fully-assembled electronic products primarily used our in-house PCBAs with a small portion sourced from our suppliers based on our requirements and specifications. Since 2017 and up to the Latest Practicable Date, we had subcontracted most of the manual assembling works of our fully-assembled electronic products to our subcontractors; and

(iv) Our provision of our EMS services mainly includes the provision of input to design enhancement and verification, provision of technical advices and engineering solutions, raw materials selection and procurement, quality control, logistics and delivery and after-sale services, which is difficult and even infeasible to define accurate utilisation rate.

Though we cannot quantify the utilisation rate of our assembling workers and small machinery and tools for our provision of fully-assembled electronic products due to the above reasons, our Directors and management do monitor the overall deployment of our assembling workers and machinery.

MACHINERY AND EQUIPMENT

Our Shenzhen Production Plant is equipped with a variety of machinery and equipment for the different stages of assembling the PCBAs and fully-assembled electronic products. SMT is the primary type of machinery and equipment used by our Group for provision of assembling services. We purchased these machinery and equipment from the PRC, Japan, Germany, Malaysia, Netherlands, United States or South Korea. We adopt a straight-line depreciation policy on our machinery for three to ten years, which our Directors believe is in line with industry norm. Notwithstanding that, the machinery and equipment generally have a useful life of approximately ten years. The table below sets out a summary of the principal machinery and equipment owned by our Group for the provision of assembling services as at the Latest Practicable Date:

Name of the machinery and equipment	**Quantity**	**Principal functions**	**Average age (approximately)** *(Note 1)*	**Remaining useful life (approximately)** *(Note 2)*
SMT machine	29	A machine that is used for high speed, high precision placing of broad range of electronic components	8	2
Reflow oven	10	Reflow soldering of surface mount electronic components to PCB	8	2
Automated Optical Inspection (AOI)	12	An automated visual inspection of printed circuit board which scans the device under tests for catastrophic failure (e.g. missing component) and quality defects	6	4
Fully automatic SMT stencil printer	7	A machine that is used for depositing solder paste on the printed wiring boards (PWBs) to establish electrical connections	8	2

Name of the machinery and equipment	Quantity	Principal functions	Average age (approximately) *(Note 1)*	Remaining useful life (approximately) *(Note 2)*
3D solder paste inspection machine	6	A machine that is used to monitor and control solder paste deposition in board assembly operations using SMT techniques, inspecting solder paste by offering an automated method for performing in-process inspection on the assembly line	6	4
SMT production line			7.7	2.3
X-Ray	1	A test machine with real-time high magnification and resolution imaging function using its X-ray capabilities for inspection of our PCBAs	1	9
ICT (in-circuit test) machine	1	A test machine that tests a populated PCB, checking for shorts, opens, resistance, capacitance, and other basic quantities which will show whether the assembly was correctly assembled	5	5
Wireless communication analyzer	88	A machine that is used to test the functions of the communication products	7	3
Automated testing machine	8	A machine that is used to automatically test the functions of the products	0	10
Wave soldering machine	2	For bulk soldering process used in the manufacture of PCBs	—	10

Notes:

1. The average age of the machinery and equipment is calculated based on the aggregated age of the machinery divided by the number of units of the machinery and equipment.

2. The remaining useful life of the machinery and equipment is calculated based on the estimated useful life deducted the average age of the machinery and equipment.

Our SMT assembly lines are compatible for assembling (which forms part of the production process) different types of products with slight adjustments. Hence, the same machinery and equipment can be used for production of our PCBA and fully-assembled electronic products. Regular maintenance of our production facilities is generally on a monthly basis and is scheduled to rotate among different machinery and equipment to avoid a complete shutdown of our operation.

Repair and maintenance

We implement a series of repair and maintenance procedures for our machinery and equipment. Our production team conducts routine checks on our machinery and equipment on a daily basis and usually cleaning and detailed checks on a monthly basis. Generally, we check the sensors and other major parts of our machinery and equipment on a quarterly basis and conduct thorough cleaning thereof and their power supply systems on an annual basis. We maintain detailed records of maintenance and repair of the machinery and equipment.

We compiled a handbook of the guidelines for the operation and maintenance of our production facilities. The handbook contains the procedures related to the planning and acquisition of new machinery and equipment and details on the repair and maintenance of our machinery and equipment. For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, our costs incurred for the repair and maintenance of our machinery and equipment was approximately RMB0.2 million, RMB0.1 million, RMB0.1 million and RMB0.1 million, respectively.

RAW MATERIALS AND SUPPLIERS

The raw materials we use for the provision of assembly services can generally be divided into (i) electronic components and ancillary materials (including PCBs, semiconductors, ICs, magnetic heads and other consumables); and (ii) casing (plastic and metal parts), packaging materials, LCD screens and consumables. For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, the cost of raw materials used accounted for approximately 49.7%, 75.4%, 77.3% and 83.5% of our total cost of sales, respectively. Such increase in the cost of new materials used as a percentage of our total cost of sales during the Track Record Period was due to the fact that more customers required us to select and provide raw materials in the course of provision of PCBA assembly services and full products assembly services to them.

Our Group sources raw materials generally from our PRC suppliers and suppliers from South Korea and Taiwan. PCBs are used as critical parts of electrical and electronic products for connecting electronic parts to each other along a circuit pattern designed on a substrate or supporting electronic part, and act as a passive component widely used in various kinds of electronic products. PCBs with electrical components are widely used in the electronic industry in a variety of products including computers, servers, televisions and telecommunication devices.

Semiconductors are small silicon devices which are used to control the passage of electrical currents in electronic devices. Semiconductors can be single discrete devices, such as a single transistor and a resistor, and other more complex devices, which consist of a number of devices manufactured and interconnected on a single semiconductor substrate. Semiconductors can be broadly divided in terms of functions, including discrete, optical semiconductor, sensor, analog, memory, microprocessor and microcontroller.

Our Directors confirm that there had not been any significant fluctuation in the market price of these major types of raw materials during the Track Record Period. We source all our raw materials from PRC suppliers who are Independent Third Parties.

The table below shows a breakdown of our Group's purchases by types of materials or products for the three years ended 31 December 2017 and the four months ended 30 April 2018:

	For the year ended 31 December						For the four months ended 30 April			
	2015		2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
ICs	18,055	19.2	33,517	20.2	50,126	20.1	17,082	14.3	19,042	11.6
Casing (both plastics and metal)	7,124	7.6	15,556	9.4	34,827	14.0	19,859	16.6	25,614	15.6
PCBs	18,957	20.1	14,813	9.0	29,203	11.7	12,854	10.8	20,186	12.2
Magnetic heads	3,390	3.6	13,384	8.1	17,499	7.0	11,820	9.9	7,518	4.5
Packaging materials	5,562	5.9	10,997	6.6	15,743	6.3	10,382	8.7	7,607	4.6
LCD screens	14,351	15.2	3,393	2.1	12,420	5.0	4,626	3.9	15,241	9.3
Tablets *(Note)*	—	—	—	—	9,262	3.7	4,672	3.9	15,395	9.4
Semiconductors	2,494	2.7	8,007	4.8	9,018	3.6	5,054	4.2	9,455	5.8
Mobile phones *(Note)*	—	—	29,997	18.1	3,553	1.4	2,955	2.5	1,676	1.0
Other consumables	24,236	25.7	35,866	21.7	67,970	27.2	30,242	25.2	42,695	26.0
Total	94,169	100.0	165,530	100.0	249,621	100.0	119,546	100.0	164,429	100.0

Note: During the Track Record Period, we shifted our product mix towards certain products with better margin, such as mPOS given the increased competition of the mobile phones market that has resulted in a decrease in profit margin of the mobile phones products and our production volume have reached the existing designed production capacity.

Since 2016, Eternity Technology has started placing corresponding purchase orders from overseas customers with Independent Third Party suppliers in Hong Kong for purchase of fully-assembled mobile phones and tablets respectively entirely manufactured by these Independent Third Party suppliers.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not encountered any material quality issue on or shortage of the raw materials used for production, which would otherwise have adversely affected our operation and provision of assembly services.

During the Track Record Period, our Group purchased raw materials from over 500 suppliers from a diversified geographical location. We generally have alternative sources to supply the same kind of raw materials and hence, the loss of any single supplier would not have a material impact on our operations. We do not enter into any long-term procurement agreements with any supplier. We do not have any hedging policy against any risk of fluctuation in the raw material costs, but we do closely monitor the market prices of the raw materials.

Procurement planning

As at 30 April 2018, our procurement and inventory team comprised 42 staff members. To maintain our inventory of raw materials at a minimum level, we typically procure raw materials upon receipt of purchase orders from our customers. During Track Record Period, we purchased raw materials from more than 30 suppliers who were designated by our EMS customers. The remaining suppliers were selected by us based on our selection criteria. We have not entered into any long-term procurement agreement with our suppliers. During the Track Record Period, we were able to mitigate the risk of an increase in the costs of raw materials by passing the increase to our customers through an increase in the price of their products.

During the Track Record Period, our production team would first place an internal purchase request with our procurement department, based on the customers' confirmed purchase orders. Save for those raw materials to be supplied by the suppliers designated by individual customers at a pre-determined price agreed by the customers, our procurement staff would request for price quotations in advance from our generally three suppliers on our list of approved suppliers.

In selecting the price quotation, we take into account the terms and offers from each of the suppliers each time before placing purchase orders. Such practice will allow us to enhance our bargaining power on price and to avoid over-reliance on a single supplier.

Since our Group did not engage in any hedging activity nor enter into any futures contract or price-lock arrangement to manage any price fluctuation of the raw materials, parts and components during the Track Record Period, and does not plan to engage in any hedging activity in the foreseeable future, our procurement department will closely monitor the price of the raw materials. When our Group anticipates any increase in the price of raw materials or shortage of supply thereof, our Group will adjust its procurement plans accordingly in order to minimise its exposure to fluctuations in prices and supply.

Selection of suppliers

We select our suppliers based on a number of criteria including, but not limited to, their product quality, pricing, supply capability and business track record with our Group. With our extensive experience in providing EMS to our customers who are either notable brand owners, authorised manufacturers or licensees and complying with their stringent quality standards, we understand the importance of material safety and quality, and we are capable of identifying and picking quality materials and suitable suppliers.

Shenzhen and other cities in the Guangdong province are blessed with a number of raw material suppliers and our geographical proximity to the market allows us to source quality materials from a wide range of suppliers at stable and competitive prices with high logistic efficiency. Hence, we do not have to rely solely on a small number of suppliers. For each of the sourcing exercises for a new type of raw material, we would typically pick from a pool of no less than 550 potential suppliers for the same material and request the identified suppliers to provide quotations. We would demand our chosen suppliers comply with relevant international quality control standards and perform quality tests on the supplied materials.

We maintain a list of approved suppliers, whom would be removed from the list should they fail to satisfy our quality and service requirements upon periodic review by our production material control department. We are able to exercise considerable control over our sourcing exercises due to the vast number of available suppliers operating mainly in Guangdong Province, which allows us to review and easily replace existing suppliers who fail to live up to our expectations from time to time.

Our Directors confirm that as our quality control department closely monitors the quality of the supplied materials from the initial stage, we have not experienced any significant return of raw materials which would cause any material adverse effect to our business operations during the Track Record Period.

Salient terms of a typical purchase transaction

Our Directors do not consider it necessary to enter into any long-term procurement agreement with any supplier, which is in line with industry practice. Instead, our Group places a purchase order to the chosen supplier in any typical purchase transaction.

Instead, our Group would issue a standard purchase order to the supplier, on our list of approved suppliers, in an ordinary purchase transaction. A standard purchase order contains the following terms and conditions:

Specifications of the raw materials	We will specify the raw materials we need and the quality of each type of raw materials required in the purchase order of agreement
Specifications and international or industry standards for raw materials	We will specify in the purchase order of agreement the required standard and whether test reports of the raw materials are required
Delivery	We will specify the date of delivery in the purchase orders. The suppliers are responsible for the delivery of the raw materials to our Shenzhen Production Plant or the place as designated by us or before the date of delivery at their own costs
Quality standard	Upon receipt of the raw materials, we are entitled to conduct inspection of the raw materials based on the said quality control standard and guidelines
Price	We will specify the unit price of each type of raw materials and the total contract sum in the purchase order
Return of defective raw materials	If any defective or sub-standard raw materials are found upon their arrival, we are entitled to request for replacement and the supplier is liable for all the costs and expenses arising therefrom

Payment methods

Our Group is generally required to pay for the raw materials upon their delivery to our warehouse or between 30 to 90 days after the date of the invoices. Sometimes, at the request of the suppliers and subject to the demand and supply conditions of the relevant raw materials, we may need to prepay certain amount of the purchase price in order to secure our purchase of the raw materials. Payment is generally made by bank transfer or bank acceptance bills endorsed to us by our customers and settled in RMB or US$. During the Track Record Period, we had entered into arrangement with the banks or financial institutions with respect to the issue of any bank acceptance bills by ourselves. For more details, please refer to the section headed "Financial Information — Trade and bills receivables" in this prospectus.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, as our quality control department closely monitors the quality of the supplied materials from initial stage, our Group had not encountered any quality issues on or shortage or delay of raw materials and/or any significant return of defective raw materials, which would have a material adverse effect on the manufacture of our products. For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, the value of the products returned to suppliers and the suppliers subsequently replaced the defective new materials with the good ones over our total cost of sales was approximately 0.5%, 0.2%, 0.7% and 0.6%, respectively.

SUBCONTRACTING

According to the Frost & Sullivan Report, the average monthly wage of employed persons in manufacturing industry in Guangdong province, the PRC increased from RMB3,879.1 in 2013 to RMB5,630.1 in 2017, representing a CAGR of 9.8% from 2013 to 2017. In view of the increasing labour cost, and in order to minimise the needs to maintain a large work force and increase the flexibility and cost effectiveness of our EMS business, our Directors consider that it would be more cost-effective to subcontract the assembling works of our full product assembly services, which are relatively more labour-intensive, to third party subcontractors under our supervision and at the same time upheld the core and integral part of our EMS services, i.e. provision of design enhancement and verification, provision of technical advices and engineering solutions, selection and procurement of raw materials, quality control and testing of both semi-finished and finished products in respect of the production of our PCBAs.

Our arrangement with subcontractors

We do not enter into long-term contracts with any of our subcontractors. Nevertheless, we maintain long-standing working relationships with them. We generally place purchase orders with our subcontractors, which contain terms with respect to the subcontracting works, the delivery time, the subcontracting costs and payment terms. Attributed to the industry experience of our Directors and their familiarity with the assembly cost as well as the market price, we are therefore able to negotiate with our subcontractors and seek to control the subcontracting cost at a reasonable level. During the Track Record Period, we engaged more than ten third party subcontractors for undertaking the manual assembly works. For each of the three year ended 31 December 2017 and the four months ended 30 April 2018, the total subcontracting charges amounted to approximately RMB2.5 million, RMB0.6 million, RMB23.0 million and RMB10.3 million , representing approximately 1.7%, 0.3%, 7.4% and 6.7% of our total cost of sales, respectively.

Selection of subcontractors

Pursuant to the contracts with our customers, we generally have to bear the responsibilities in respect of defective products and/or late delivery. As such, our Directors consider that a stringent selection of our subcontractors is of paramount importance. We will regularly review our selection of subcontractors based on a number of factors, including: (i) company background, job reference and their adherence to instructions, if any; (ii) timely delivery of products; (iii) quality of work performed; (iv) safety and environmental compliance; (v) overall performance; and (vi) their locations preferably in the vicinity to our Shenzhen Production Plant, to enable us to supervise both the assembly process and implementation of our quality control measures.

Quality control on the subcontracted works

Our staff have regularly visited the production plant of our subcontractors. When there are any subcontracted works to be carried out, we will designate two staff members from our engineering department, a quality control supervisor together with the quality control personnel to station at the subcontractors' production plant to supervise their production processes, and conduct testing on the semi-finished products and finished products to ensure the products are in compliance with the specifications of our customers. We also require subcontractors to rectify all defects in their works on the spot and after delivery. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any delayed performance by our subcontractors and we had not received any material claims or complaints from our customers for substandard work of our subcontractors.

Our Directors confirm that we had no material dispute with any of our subcontractors during the Track Record Period.

Our top five suppliers and subcontractors

For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, the total purchases, including the supply of raw materials and our fully-assembled tablets and certain mobile phones with their entire production being outsourced to Independent Third Party suppliers and subcontracting fees, from our top five suppliers and subcontractors amounted to approximately RMB23.6 million, RMB67.7 million, RMB94.3 million and RMB70.1 million, representing approximately 24.4%, 40.7%, 34.6% and 39.5% of our total cost of purchases and subcontracting fees for the corresponding periods. For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, our purchases from our largest supplier accounted for approximately 7.0%, 11.5%, 12.0% and 10.9% of our total cost of purchases and subcontracting fees, respectively. Most of our suppliers and subcontractors are based in the PRC with a few in South Korea, Hong Kong and Taiwan.

None of our Directors, their respective associates and existing Shareholders, who own more than 5% of our issued share capital, had any interest in any of our top five suppliers during the Track Record Period. None of our top five suppliers and subcontractors was our customers during the Track Record Period.

The following tables set forth certain information of our top five suppliers and subcontractors during the Track Record Period:

For the year ended 31 December 2015

Supplier	Raw materials procured from the suppliers or services provided by the subcontractors	Principal business	Cost of purchases or subcontracting fees	% of total cost of purchases and subcontracting fees	Credit Period	The calendar year in which the supplier/ subcontractor first started to have business relationship with our Group
			(RMB'000)			
Supplier A	LCD screens	A PRC company engaged in research and development, manufacturing and sale of electronic communication products, LCD screen, computer software and hardware	6,762	7.0	10% down payment and the remaining payable within 3 days after delivery	2015
Supplier B	LCD screens	A PRC company engaged in research and development, manufacturing and sale of liquid crystal materials, LCD screen and liquid crystal mold	4,495	4.6	30 days after monthly statement	2014
Suppler C	Batteries	A PRC company engaged in research and development, manufacturing and sale of electronic products and components, battery, electronic equipment and electronic automation production equipment	4,287	4.4	30 days after monthly statement	2015
Suppler D	PCBAs	A PRC company engaged in provision of technology development and sale of computer and electronic products, including the PCBAs	4,234	4.4	10% deposit and the remaining payable 15-20 days after delivery	2014
Supplier E	PCBAs	A PRC company engaged in design, development and sale of mobile phones, tablet computers and electronic products, including the PCBAs	3,866	4.0	10% deposit and the remaining payable 15-20 days after delivery	2015

For the year ended 31 December 2016

Supplier	Raw materials procured from the suppliers or services provided by the subcontractors	Principal business	Cost of purchases or subcontracting fees *(RMB'000)*	% of total cost of purchases and subcontracting fees	Credit Period	The calendar year in which the supplier/ subcontractor first started to have business relationship with our Group
Supplier F	Mobile phones	A Hong Kong company engaged in development, manufacturing and sale of mobile phones	19,071	11.5	15%-20% deposit and the remaining 80%-85% payable after delivery	2016
Supplier G	Plastic casing and other consumables	A PRC company engaged in manufacturing and sale of plasthetics and electronic products	18,804	11.3	30 days after monthly statement	2015
Supplier H	Magnetic heads	A PRC company engaged in manufacturing and sale of electronic components	11,208	6.7	30 days after monthly statement	2015
Supplier I	Mobile phones	A Hong Kong company engaged in development, manufacturing and sale of mobile phones	10,926	6.6	20%-30% deposit and the remaining 70%-80% payable after delivery	2016
Supplier J	ICs	A Korean company engaged in development and sale of electronic products	7,682	4.6	30 days after monthly statement	2015

For the year ended 31 December 2017

Supplier	Raw materials procured from the suppliers or services provided by the subcontractors	Principal business	Cost of purchases or subcontracting fees *(RMB'000)*	% of total cost of purchases and subcontracting fees	Credit period	The calendar year in which the supplier/ subcontractor first started to have business relationship with our Group
Supplier G	Plastic casing	A PRC company engaged in manufacturing and sale of plasthetics and electronic products	32,796	12.0	30 days after monthly statement	2015
Supplier K	Provision of assembling services	A PRC company engaged in manufacturing and sale of electronic products	22,899	8.4	30 days after monthly statement	2017
Supplier L	Batteries	A PRC company engaged in sale of batteries, electronic products, and spare parts of mobile phones	13,633	5.0	30 days after monthly statement	2016
Supplier M	Semiconductors and ICs	A PRC company engaged in manufacturing and sale of electronic components	13,338	4.9	30 days after monthly statement	2016
Supplier N	LCD screens	A PRC company engaged in research, design, manufacturing and sale of electronic components and products in relation to Light-Emitting and LCD	11,596	4.3	60 days after monthly statement	2016

For the four months ended 30 April 2018

Supplier	Raw materials procured from the suppliers or services provided by the subcontractors	Principal business	Cost of purchases or subcontracting fees	% of total cost of purchases and subcontracting fees	Credit period	The calendar year in which the supplier/ subcontractor first started to have business relationship with our Group
			(RMB'000)			
Supplier G	Plastic casing	A PRC company engaged in manufacturing and sale of plasthetics and electronic products	19,363	10.9	30 days after monthly statement	2015
Supplier O	Tablets	A PRC company engaged in development and sales of electronic products	15,395	8.7	15% down payment, 65% before loading and the remaining 20% after delivery	2017
Supplier N	LCD screens	A PRC company engaged in research, design, manufacturing and sale of electronic components and products in relation to Light-Emitting and LCD	14,586	8.2	60 days after monthly statement	2016
Supplier K	Provision of assembling services	A PRC company engaged in manufacturing and sale of electronic products	10,520	5.9	30 days after monthly statement	2017
Supplier L	Batteries	A PRC company engaged in sale of batteries, electronic products, and spare parts of mobile phones	10.191	5.8	30 days after monthly statement	2016

The combination of our top five suppliers would change following the corresponding changes of our product mix. For purchase of raw materials, our procurement staff would request for price quotations in advance generally from three suppliers on our approved list. We will take into account the terms and offers from individual suppliers each time before placing any purchase order to avoid over-reliance on a single supplier, in particular electronic components are common raw materials that are readily available in the market under normal circumstances. Furthermore, factors such as the location of individual suppliers, the raw materials we need for production of different kinds of products from time to time, the profitability of the products within our product portfolio and our manpower planning and allocation arrangement had also contributed to the changes in combination of our top five suppliers during the Track Record Period.

ENTITIES WHO ARE OUR CUSTOMERS AND ALSO OUR SUPPLIERS

For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, there were one customer (namely, Customer K), two customers (namely Customer D and Customer L), six customers (namely Customer D, Customer L, Customer M, Customer G, Customer N, Customer O) and four customers (namely Customer M, Customer D, Customer O and Customer G), were also our suppliers, respectively.

Based on their experience in the EMS market in the PRC, our Directors note that the practice of purchasing raw materials from customers is commonly adopted in the EMS market in the PRC where there are circumstances that customers are the only suppliers of certain raw materials, such as specific models of electronic parts and components. Despite this practice, it was nevertheless not the Group's regular practice to purchase raw materials from its customers during the Track Record Period. However, under special circumstances and without causing any material detrimental effect to the Group's profitability, the Group had sourced the required raw materials from its customers during the Track Record Period in order to satisfy their specific needs for the following reasons:-

1. There are circumstances where our customers are the only suppliers of certain raw materials we find necessary to meet sales orders, such as specific models of IC chips and specific models of coils. Thus we have to purchase such raw materials from our customers;

2. In view of the tight business production schedule at the commencement of our business relationship with Customer M and Customer N in 2017, we purchased the respective raw materials from them as we could not, at that point, identify any other stable source of the required raw materials from suppliers apart from Customer M and N. Such arrangements were only a temporary measure, thus we had no longer purchased raw materials from Customer M and Customer N as at the Latest Practicable Date;

3. Customer G required us to incorporate specific IC chips, which were only supplied by Customer G, in their new product models. Thus we made purchases of such raw material from Customer G; and

4. Customer D required us to use a specific type of raw material approved by them, which were only supplied by Customer D, thus we made purchases of such raw material from Customer D.

Our sales to these customers amounted to approximately RMB2.4 million, RMB42.7 million, RMB62.8 million and RMB16.9 million, which accounted for approximately 1.3%, 15.9%, 17.0% and 9.3% respectively, of our total revenue for the three years ended 31 December 2017 and the four months ended 30 April 2018, respectively. During the same corresponding period, our costs of sales of these customers amounted to approximately RMB2.0 million, RMB35.5 million, RMB52.4 million and RMB14.1 million, respectively, which accounted for approximately 1.4%, 16.1%, 16.9% and 9.2%, respectively, of our total cost of sales. Gross profit for the sales to these customers for each of the three years ended 31 December 2017 and the four months ended 30 April 2018 was approximately

RMB0.4 million, RMB7.1 million, RMB10.4 million and RMB2.8 million, respectively. The gross profit margin for each of the three years ended 31 December 2017 and the four months ended 30 April 2018 was approximately 18.0%, 16.7%, 16.6% and 16.3%, respectively, whereas our overall gross profit margin for the corresponding periods was 18.9%, 17.7%, 16.3% and 15.4%, respectively.

The following table set out the breakdown of gross profit from the entities who are our customers and also our suppliers during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2015		2016		2017		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000 (approximately)	%	*RMB'000 (approximately)*	%	*RMB'000 (approximately)*	%	*RMB'000 (approximately) (Unaudited)*	%	*RMB'000 (approximately)*	%
Customer D	—	—	7,104	16.9	9,228	18.0	2,971	17.6	1,769	17.1
Customer G	—	—	—	—	257	21.9	50	20.1	223	19.0
Others	441	18.0	14	2.3	954	9.3 *(Note)*	2	9.1	762	14.2
	441	18.0	7,118	16.7	10,439	16.6	3,023	17.6	2,754	16.3
Our Group's overall gross profit and gross profit margin	34,591	18.9	47,530	17.7	60,338	16.3	21,708	16.2	27,848	15.4

Note: Our Group generally adopts a more competitive approach when negotiating the sale price with our new customers or potential customers. Among these four customers, Customer M, Customer N and Customer O were our new customers in 2017 and our Group have adopted such approach so as to attract and retain them, which caused the price more favourable than those offered to other customers. As a result, the gross profit margin of these customers was relatively lower than the overall gross profit margin of our Group for the year ended 31 December 2017 and the four months ended 30 April 2018.

INVENTORY MANAGEMENT

The inventory comprises mainly of raw materials and finished products. Our procurement and inventory team, which consists of 42 staff as at 30 April 2018, closely monitor the inventory level to meet the production requirements, and minimise any waste on inventory or obsolete inventory.

Raw materials

We purchase most of our raw materials after we have confirmed the purchase orders with our customers and checked the orders against our inventory in order to avoid accumulation of excessive inventories. Hence, on the one hand, we strive to maintain a minimal level of inventory for the raw materials based generally on the purchase orders. On the other hand, we accumulate key raw materials that we frequently use in our production, including PCB and IC, in order to meet our continuous production needs for a period of around 30 days.

As most of our products are produced based on individual orders, there is no significant risk of obsolescence. To facilitate the monitoring of our inventory, we use a standard enterprise resource planning (ERP) system, which provides tools for us to, among other things, keep efficient and effective records used since 2014 of purchase orders placed with our suppliers, and to aid us in maintaining regular inventory levels, as well as commanding a centralised price information system complete with account receivables and account payables to our customers and suppliers. Our Directors believe that implementation of this ERP system has helped us controlling our inventory more effectively. With the assistance of the ERP system:

- once the amounts are confirmed, and with the assistance of our production team, our procurement and inventory team will check the availability of the existing inventory and will then proceed to order the raw materials from suppliers chosen from our approved list of suppliers;

- after our quality control team has inspected the incoming raw materials, such raw materials will be warehoused and we will perform material categorisation and inventory tracking; and

- a full stocktake is performed on a half-yearly basis to ensure the accuracy of stock-in and stock-out information on record. Throughout the year, our Group reviews the stocktaking records and performs inventory aging analysis to ensure that inventories are properly used and that there is no unnecessary accumulation of aged inventories.

We adopt a first-in-first-out approach for the utilisation of the raw materials, and parts and components.

Finished products

Finished products refer to the products which are ready to be delivered to our customers. As our Group commences the production process upon receipt of the purchase orders placed by our customers, there is no significant risk of obsolescence of finished products. Our Group adopts a first-in-first-out approach in utilising the finished products and closely monitors the inventory level of the finished products to minimise the inventory level.

QUALITY CONTROL

Our Group has adopted quality control measures on the selection and testing of raw materials, semi-finished products and end products throughout the assembling process to ensure the quality of our products as well as their adherence to customers' specifications. As at 30 April 2018, our Group had 55 quality control staff, which include five supervisors, four engineering staff and 46 technicians, responsible for quality control in four aspects, namely, incoming raw materials quality control, SMT control, overall quality control and industrial electronics quality control, of whom seven had completed tertiary education in different disciplines including mechanical engineering, applied electronics engineering and computer sciences and two were university graduates in mechanical engineering. They are in charge of the overall implementation of the relevant quality control measures in the respective aspects at the different production processes and the finished products. Our quality control team is mandated to identify any quality control issues and provide solutions to the production team to address such issues.

For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, our Group incurred approximately RMB0.8 million, RMB0.7 million, RMB0.8 million and RMB1.1 million, respectively, mainly for the salaries of our quality control staff and the fees paid to external product inspection companies, for the costs of quality control. Our quality control manager is involved in (i) reviewing the implementation of our quality control measures; (ii) meeting with our quality control supervisors to discuss any enhancements in quality control processing; (iii) organising training in quality control for new incoming quality control staff; and (iv) discussing with the head of our procurement team in relation to the selection and quality of raw materials to be purchased and used in the production of our products.

Quality control on the incoming raw materials

Incoming raw materials are subject to inspection by our quality control team on the acceptable quality limit (AQL) and quality standard for production based on our internal guidelines to ensure their conformity with the specifications set out in our design and schematics and requirements of our customers before acceptance. Our quality control personnel prepare a report on the results of the inspection and such report will be reviewed by the head of our quality control department. Upon discovery of any sub-standard or defective raw materials, our quality control personnel will refer the case to the procurement department which will communicate with the relevant suppliers for defect analysis and arrange for the return and replacement of such supplies. AQL is an inspection standard where the maximum number of defects that could be considered acceptable during a random sampling inspection. We have adopted a series of strict quality control measures in the inspection and checking of the incoming raw materials and electronic components before we use the same for production, in order to minimise the risks of producing defective products.

Depending on the nature of the raw materials, the internal guidelines of our Group require the testing and inspection process to cover aspects including appearance, size, mechanical features, electrical testing and geometric features. The raw materials and components which pass the incoming quality check are delivered and stored in the warehouse.

The maximum amount of defective raw materials discovered during random inspections which is considered by us as acceptable is 0.5% of the entire batch of the raw materials under inspection. Though our Group has adopted a strict quality control measures in inspecting the incoming raw materials, there are occasions that the raw materials are found to be sub-standard or defective during the assembling process. If that happens, we will return the defective raw materials to the relevant suppliers and request the suppliers to send a new batch of raw materials to us. Our Directors confirm that due to our stringent policy in selection of suppliers and inspection of raw materials, we had not experienced significant return of raw materials and components which could not pass our incoming quality check to the suppliers for each of the three years ended 31 December 2017 and the four months ended 30 April 2018.

As PCBs are one of our largest raw materials, which are different in terms of surfaces, angles and structures. We evaluate their circuit board flatness or the microstructures of the board with precise measurement.

Quality control on the assembling process

The quality control personnel test the quality of semi-finished products at several major stages in the assembling process of both PCBAs and full electronic products on a real time basis to ensure the semi-finished products in the course of assembling can meet the required standards and customers' specifications. Apart from visual checking, we also use advanced quality control machinery and equipment including SPI, x-ray inspection, AOI and BGA rework device. Insofar as the assembly services are subcontracted to the third-party subcontractors, two staff members from our engineering department, a quality control supervisor together with other quality control personnel will be assigned to station at the production plant of our subcontractors to supervise the entire assembling process of our fully-assembled electronic products, conduct testing on both semi-finished products and finished products and to ensure that the assembly process is carried out according to our instructions and the final electronic products can meet our customers' requirements and specifications.

If the semi-finished products are found to be defective, such semi-finished products will pass to our laboratory managed by our production department for repair and will return to the quality control department for a re-test. If the defective rate is more than 2.0%, the defective semi-finished products will be passed to the engineering department to identify the problem and make adjustments to the production techniques.

One of our major objectives is to ensure that the overall quality of the semi-finished products conforms to the required standards, by means of testing on all of the work-in progress, immediate defect analysis and timely repair. The semi-finished products that fail to meet quality standards are either repaired or disposed of and are subject to failure analysis, to identify the root cause of the failure to determine what corrective actions need to be taken. Our production personnel and quality control personnel meet regularly to discuss the causes of the quality problems of our products and the corresponding solution to improve and ensure the quality of our products.

Quality control on overall quality of the finished products

It serves as our final control point to ensure that the finished products comply with the customers' requirements and the industry standards. Our Group requires the quality control personnel to conduct random inspection on the physical appearance, level of adherence to our customers' specifications and functional testing on the quality of the finished products. The finished products must pass the final quality test on their functionality which put the product through its paces, simulating the normal circumstances in which the product will operate before packaging. The products that fail to meet quality standards will be subject to additional work and those which meet the requisite standard will be subject to final inspection by the customers, if required. Some of our customers also send their representatives to conduct on-site quality checks on the finished products. After the final inspection, the finished products will be packaged and delivered to the warehouse within our Shenzhen Production Plant to arrange for delivery to our customers or for collection by our customers.

The same quality control procedures are applied to the finished products (i.e. fully-assembled tablets and certain mobile phones) manufactured by Independent Third Party suppliers.

Industrial electronics quality

In the provision of accurate assembling services to our customers on EMS basis, we have to comply with the manufacturing processes of our customers, including the guidelines for materials-handling and disposal. We have to ensure that our suppliers throughout the supply chain meet the same strict standards.

This involves the measures to track defects throughout the production process by rapidly and accurately identifying flaws, reasons for failures, and error trends in order to ensure product quality and overall yield — for example, whether or not it is a specific vendor, a certain material or an individual part of the process that has resulted in any defective products. By doing so, we can ensure accurate assemblies of electronic components and keep pace with the short product development cycles for electronic products.

Quality certifications and recognition

We have obtained quality certifications in an effort to ensure our manufacturing system and processes conform with the internationally recognised quality standards. We have obtained the ISO 9001 certification on quality management since 2005 and ISO 14001 certification on environmental management system since 2009.

During the Track Record Period and up to the Latest Practicable Date, there were no material claims for delay in delivery, defective products or sales returns from our customers. Our Directors confirmed that there were no material product recalls nor claims against us in respect of any alleged breach of the intellectual property rights of any third party during the Track Record Period and up to the Latest Practicable Date.

RESEARCH AND PRODUCT DEVELOPMENT

Over the years, we have accumulated a certain level of technology experience on assembling PCBAs and fully-assembled electronic products according to the specifications given by our customers. As at 30 April 2018, we had 44 staff members in our research and development team, out of which (i) three possessed a bachelor degree in engineering or computer application technology; and (ii) 29 possessed a post-secondary-school qualification in the field of applied electronics or other related disciplines in the PRC.

Leveraging our experience and knowledge derived from provision of EMS, our research and development team, which is under our engineering team, focuses on the research and development of technologies for improving the efficiency and effectiveness of the assembling process, quality control enhancement, design and verification of PCBA and full electronic product assembly services to customers; and to reduce their cost of production.

Alongside our provision of assembling services to our customers on EMS basis, our research and development team also participates in the product development stage of our customers' products, which in the opinion of our Directors, would help strengthen our relationship with the customers and ensure that the quality of our products meet customers specifications. Our research and development team also has the capability to verify and develop the conceptual designs from the customers and turn such design concepts into deliverable PCBAs or fully-assembled electronic products by improving the PCBA specifications and design, product designs, recommending the proper and suitable raw materials for assembling and testing of the trial products.

As at the Latest Practicable Date, our Group applied for the registration of various utility model patents (實用新型專利) and software copyrights (軟件著作權) . Please refer to the paragraph headed "B. Information about the business — 2. Intellectual property rights of our Group" of Appendix IV to this prospectus for details of the patent under application and the 17 utility model patents and 24 software copyrights already registered under the name of Shenzhen Hengchang Sheng.

As a result of our research and development capabilities, initiatives and achievements, since 2016, our Group has been awarded the status of "High and New Technology Enterprise* (高新技術企業)" by the relevant PRC governmental authorities and has been enjoying a preferential EIT of 15%. While our certificate of "High and New Technology Enterprise* (高新技術企業)" expired in 2018, given that (i) we have completed the necessary filings for examination of our status as "High and New Technology Enterprise* (高新技術企業)" with the relevant authorities in August 2016; (ii) there has been no major change to the laws and regulations relating to the certification since the last certification; and (iii) our corporate status and research and development credentials have been enhanced since the last certification, our Directors believe that we will continue to be qualified as a "High and New Technology Enterprise* (高新技術企業)" and be granted the preferential EIT treatment upon re-examination of our status as "High and New Technology Enterprise* (高新技術企業)" by the relevant authorities.

Our Group incurred approximately RMB7.3 million, RMB7.4 million, RMB12.4 million and RMB3.0 million, respectively, for the expenses related to research and development for each of the three years ended 31 December 2017 and the four months ended 30 April 2018, which was composed of the remunerations paid to these staff, depreciation expenses, materials and service fee payable to third parties for product development.

SEASONALITY AND PRODUCT LIFE CYCLE

As our PCBAs are mainly applied to the production of the electronic products used in banking and finance, telecommunication and smart devices industries, our Directors consider that the product cycle of our PCBAs would be affected by the pace of technological development and the launching of new electronic products in these industries. With the increase in electronic product consumption, an increasing number of new electronic products spring up, old products are therefore expected to be replaced in the short term, which further increases the demand for PCBAs and full product assemblies.

We generally record lower sales in the first half quarter of the year, which our Directors consider to be generally attributable to the reduced business activities and closure of our Shenzhen Production Plant around the Chinese New Year holidays which fall in January or February of the year in the PRC. On the other hand, we generally record higher demands from our customers in the fourth quarters, which we consider to be attributable to and the purchase patterns of our customers that they generally place their orders around the fourth quarter of the year given that, based on our Directors' observations, our customers place more purchasing orders with us in that quarter in anticipation of stronger market demands for electronic products for the festive seasons in the fourth quarter of the year and the first quarter of the following year.

MARKETING AND PROMOTION

As at 30 April 2018, our sales and marketing team comprised of 17 staff members who are responsible for the sales activities of our Group and formulating our Group's overall sales strategies, collecting and analysing market data, communicating with our customers from time to time to collect their feedback on our products and updated market information. Our sales and marketing team, along with our production team, is also responsible for negotiating and finalising sales terms with our customers and handling the return of defective products in a timely manner.

MARKET AND COMPETITION

According to the Frost & Sullivan Report, growing demand from players along the value chain of the EMS industry and the continuous increasing penetration of EMS has driven the EMS market in the PRC. Sales value of EMS industry in the PRC reached RMB1,347.2 billion in 2017, with CAGR of 8.8% from 2013 to 2017. There had been an accelerated growth of EMS market from 2013 to 2014 due to the recovery of global electronic market. However, the growth of the EMS market has slowed down and entered a steady growth since 2015.

According to the Frost & Sullivan Report, in terms of revenue in 2017, top ten companies in the EMS market in the PRC accounted for approximately 50.9% market share, whereas our Group had a market share of approximately 0.03%.

In view of (i) the thriving demand in global electronic products markets; (ii) continuously increasing penetration of EMS; (iii) growing capabilities of EMS providers; and (iv) the PRC government's policies which encourage market growth, the demand of EMS is expected to grow in the future. Our Directors consider that (i) customers' requirement on EMS providers' design and the manufacturing capabilities; (ii) our possession on EMS providers' contract manufacturer certifications; (iii) customers' requirement of supply chain management capabilities; and (iv) large capital investment requirement, are the main entry barrier to the EMS market in the PRC.

EMPLOYEES

As at 30 April 2018, our Group had 381 employees and 15 dispatched staff. The following table sets forth the number of our Group's employees by job functions as at the date specified:

Function	31 December 2015	31 December 2016	31 December 2017	30 April 2018
Managerial, administrative and accounts	32	34	33	32
Production — SMT	184	127	105	126
Production — assembling services	139	148	80	65
Quality control	51	39	35	55
Procurement and inventory	34	41	47	42
Research and development	51	46	45	44
Sales and marketing	12	17	19	17
Total number of employees	503	452	364	381

The following table sets forth the number of dispatched staff engaged by our Group as at 31 December 2015, 2016 and 2017 and 30 April 2018:

Function	31 December 2015	31 December 2016	31 December 2017	30 April 2018
Production — SMT	213	126	19	—
Production — Assembling services	343	128	12	15
Quality control	53	19	—	—
Procurement and inventory	8	21	—	—
Total number of dispatched staff	617	294	31	15

Our total number of staff and dispatched workers decreased from 1,120 as at 31 December 2015 to 396 as at 30 April 2018. The decrease was mainly due to the following reasons:-

(1) The number of dispatched staff engaged by our Group had exceeded the regulatory threshold of 10% of the total number of our workers as stipulated in the Interim Provisions on Labour Dispatch (勞務派遣暫行規定) which came into effect on 1 March 2014 during the Track Record Period. To rectify the situation, we had terminated the engagement with the dispatched staff and manpower service company and engaged subcontractors to perform the manual assembling of our products. Therefore, our Group recorded a decrease in number of dispatched staff from 617 as at 31 December 2015 to 15 as at 30 April 2018; and

(2) According to the Frost & Sullivan Report, the average monthly salary of workers in manufacturing industry in Guangdong Province has increased from RMB3,879.1 in 2013 to RMB5,630.1 in 2017, representing a CAGR of 9.8%. In view of the increasing labour cost, our Directors consider that it would be more cost-effective to reduce our number of manual assembly lines and subcontract the manual assembling works of our full product assembly services which are relatively more labour intensive, to other third party subcontractors. For detail of our subcontracting arrangement, please refer to the paragraph headed "Business — Subcontracting" in this prospectus.

During the Track Record Period, our number of employees responsible for manual assembling services decreased from 139 as at 31 December 2015 to 80 as at 31 December 2017, while our subcontracting expenses increased from approximately RMB2.5 million for the year ended 31 December 2015 to approximately RMB23.0 million for the year ended 31 December 2017. And our number of employees responsible for manual assembling services further decreased to 65 as at 30 April 2018. By subcontracting part of our full product assembly services, our Directors believe that we can (i) focus on offering technical advice and engineering solutions ranging from procurement of raw materials to after-sales service; (ii) minimise our need to employ and maintain a large work force; and (iii) increase flexibility and cost effectiveness in carrying out our EMS.

Remuneration

Our Group's employees are generally remunerated by way of fixed salary. Our Group utilises an appraisal system for our employees and considers the appraisal results of individual employees when conducting their salary reviews, making promotion decisions and determining the amount of bonuses. Our Group's employees are also entitled to a performance-based bonus, paid leave and various subsidies.

Relationship with employees and recruitment policies

Our Directors believe that our Group's management policies, working environment, employee development opportunities and employee benefits have together contributed to good employer-employee relations and successful employee retention. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had not encountered any difficulty in the recruitment and retention of staff for our operation or experienced any disruption in our operation as a result of labour disputes with our employees in all material respects.

We recruit employees based on a number of factors such as their working experience, educational background and vacancy needs.

Employee Training

In order to increase the overall competitiveness of our Group's workforce and to attract and retain existing employees and strengthen their knowledge, skill level and quality, our Group places strong emphasis on training employees. We provide trainings across different operational functions, including induction training for new employees, functional training to provide our employees with the necessary skills and knowledge of their respective work areas and other on-the-job trainings to reinforce functional training and to enhance the employees' knowledge on the safety measures when performing their duties.

Social Welfare Scheme and Housing Provident Funds

According to the Social Insurance Law of the PRC* (中華人民共和國社會保險法), our PRC subsidiary, namely, Shenzhen Hengchang Sheng is required to make social insurance fund contributions for its employees in the PRC. As at the Latest Practicable Date, Shenzhen Hengchang Sheng maintained a social insurance scheme that covers basic pension insurance, unemployment, work-related injuries, medical and maternity expenses for our PRC employees.

Shenzhen Hengchang Sheng is also required under the Administrative Regulations on the Housing Provident Fund of the PRC* (住房公積金管理條例) to deposit housing provident funds to its employees in the PRC. Shenzhen Hengchang Sheng set up its housing provident fund account only in March 2017. To rectify such non-compliance, Shenzhen Hengchang Sheng set up a housing provident fund system in March 2017 and has been paying contributions to the housing fund for their employees in accordance with and for the purpose of compliance with the applicable PRC laws and regulations since May 2017. To prevent the recurrence of such non-compliance, we have implemented a series of internal control measures. In future, we will ensure that all our incoming employees to give consent to set up housing provident fund accounts before they join our Group. For details, please see the paragraph headed "Business — Legal and Compliance" in this prospectus.

Dispatch Agencies

During the Track Record Period, Shenzhen Hengchang Sheng utilised and engaged dispatched staff. Given the relatively high turnover rate of labour in the manufacturing industry, we believe the engagement of dispatched staff for temporary, auxiliary and substituting positions can enhance efficiency and flexibility to cope with the rapid business expansion in recent years.

Pursuant to the Interim Provisions on Labour Dispatch* (《勞務派遣暫行規定》) which came into effect on 1 March 2014, "if the number of dispatched staff utilised by an employer exceeds 10% of the total number of its workers prior to the effective date of these Provisions, such employer shall develop a scheme for employment adjustments to reduce the proportion to the specified level within two years from the effective date of these Provisions. Shenzhen Hengchang Sheng had engaged 617 and 294 dispatched workers as at 31 December 2015 and 2016, respectively, representing approximately 55.1% and 39.4% of the total number of its workers as at the corresponding date, respectively, which exceeded the regulatory threshold of 10% and constituted a non-compliance incident of the Interim Provisions on Labour Dispatch* (勞務派遣暫行規定). For details, please refer to the section headed "Business — Legal and Compliance" in this prospectus.

ENVIRONMENTAL PROTECTION

Manufacturing enterprises, like our Group, in the PRC are subject to PRC environmental protection laws and regulations, which include the Environmental Protection Law of the PRC (中華人民共和國環境保護法) and other PRC environmental protection laws and regulations. For further details, please refer to the section headed "Regulatory Overview — PRC Laws and Regulations — Regulations on Environmental Protection" in this prospectus.

Shenzhen Hengchang Sheng obtained the environmental permit statement from the Environmental Protection Bureau of Longgang District of Shenzhen City* (深圳市龍崗區環境保護局) (the "Environmental Protection Bureau") in relation to our Shenzhen Production Plant in October 2011. Since the commencement of our Group's operations and up to the Latest Practicable Date, it has not been subject to any material penalty or fines imposed by the environmental protection authorities. For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, the costs incurred by our Group for compliance with the relevant environmental protection laws and regulations were approximately RMB10,000, RMB14,000, RMB10,000 and RMB3,000, respectively. Based on the past experience of our Group's management team, the nature of the industry and future developments of the industry, our Directors believe that our Group's current environmental conservation facilities are adequate to satisfy the relevant laws and regulations and do not expect any major or significant expenditure to be incurred in the future.

According to the PRC Legal Advisers, Shenzhen Hengchang Sheng had not received any administrative punishment by the environmental protection department for serious behaviours violating any PRC environmental law and regulation during the Track Record Period. Our Directors also confirmed that our Group has not been subject to any material environmental claims, lawsuits, penalties or administrative sanctions, and the operations of our Group have been in compliance with the relevant environmental laws and regulations in all material respects in the PRC during the Track Record Period and up to the Latest Practicable Date.

OCCUPATIONAL HEALTH AND SAFETY

Our Group has implemented measures in our Shenzhen Production Plant to promote occupational health and safety and to ensure compliance with applicable laws and regulations. We published booklets with occupational health and safety for circulation to our employees to raise awareness of occupational health and safety among our employees. We had established a series of safety guidelines, rules and procedures for different aspects of our production activities, including fire safety, warehouse safety, work-related injuries and emergency and evacuation procedures.

During the Track Record Period, our Group did not experience any accidents or claims for personal or property damage that, individually or in aggregate, had a material effect on our Group's financial condition and results of operations.

As confirmed by our PRC Legal Advisers, our Group had complied with the applicable national and local safety laws and regulations in all material respects during the Track Record Period, and the relevant PRC authorities had not imposed any material sanctions or penalty on us for incidents of non-compliance of any safety laws or regulations in the PRC.

RECOGNITIONS AND CERTIFICATIONS

As at 30 April 2018, our Group had the following major recognitions and certifications:

Year	Recognition or certification	Issuing authority/institution
2017	Certification for China Compulsory Product Certification	China Quality Certification Centre
2016	High and New Technology Enterprise* (高新技術企業)	Science, Technology and Innovation Committee of Shenzhen City* (深圳市科技創新委員會), Finance Commission of Shenzhen Municipality, SAT Shenzhen Municipal Office, Shenzhen Local Taxation Bureau
2015	ISO 9001:2008 Quality management for the processing of PCB (SMT, test and assembly), production of the wireless data termination products (GPRS/CDMA module)	Beijing Standard Certification Centre
2015	ISO14001:2004 Environmental management system for the processing of PCB (SMT, test and assembly), production of the wireless data termination products (GPRS/CDMA module)	Beijing Standard Certification Centre

PROPERTY

Owned property in the PRC

The table below sets forth the particulars of our owned property:-

Location	Owner	GFA (sq.m.)	Usage
Unit 1004, Block 4, Shenye Yuyuan (深業御園), Shenzhen	Shenzhen Hengchang Sheng	135.88	Staff quarters
Unit 604, Block 5, Shenye Yuyuan (深業御園), Shenzhen	Shenzhen Hengchang Sheng	87.73	Staff quarters
Unit 704, Block 5, Shenye Yuyuan (深業御園), Shenzhen	Shenzhen Hengchang Sheng	87.73	Staff quarters
Unit 804, Block 5, Shenye Yuyuan (深業御園), Shenzhen	Shenzhen Hengchang Sheng	87.73	Staff quarters
Unit 904, Block 5, Shenye Yuyuan (深業御園), Shenzhen	Shenzhen Hengchang Sheng	87.73	Staff quarters
Unit 1004, Block 5, Shenye Yuyuan (深業御園), Shenzhen	Shenzhen Hengchang Sheng	87.73	Staff quarters
Unit 1104, Block 5, Shenye Yuyuan (深業御園), Shenzhen	Shenzhen Hengchang Sheng	87.73	Staff quarters
Unit 1204, Block 5, Shenye Yuyuan (深業御園), Shenzhen	Shenzhen Hengchang Sheng	87.73	Staff quarters
Unit 1304, Block 5, Shenye Yuyuan (深業御園), Shenzhen	Shenzhen Hengchang Sheng	87.73	Staff quarters
Unit 1504, Block 5, Shenye Yuyuan (深業御園), Shenzhen	Shenzhen Hengchang Sheng	87.73	Staff quarters

As at the Latest Practicable Date, our Group did not have any property interest (as defined by Rule 5.01(2) of the Listing Rules) with a carrying amount of 15% or more of our Group's total assets, and on this basis, our Group is not required by Rule 5.01A of the Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirement of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our Group's interests in land or buildings.

Leased property in the PRC

As at the Latest Practicable Date, our Group leased five properties in the PRC, details of which are set out as follows:

Location	Landlord	GFA	Our Group's use of the property	Monthly rental	Term
		(sq.m.)		*(RMB'000) (approximately)*	
4th Floor, Office Building, Yingzhan Industrial Park Area A, Kengzi Office, Longtian Community, Pingshan New District, Shenzhen (坪山新區坑梓辦事處龍田社區瑩展工業園A區辦公樓4樓房屋)	Yingzhan Electronic Technology (Shenzhen) Limited* (瑩展電子科技(深圳)有限公司)	875	Office	10.5	From 1 April 2014 to 31 March 2021
5th to 7th Floor, Block C2, Yingzhan Industrial Park, Longtian Community, Kengzi Office, Pingshan New District, Shenzhen (坪山新區坑梓辦事處龍田社區瑩展工業園C2棟5-7樓房屋)	Yingzhan Electronic Technology (Shenzhen) Limited	4,953	Staff quarters	49.5	From 1 June 2014 to 31 March 2021
Units 101, 201 and 401, Block A West (now known as Block A2), Yingzhan Electronic Park Area Factory, Longtian Road Office, Pingshan District, Shenzhen (坪山區龍田街道辦事處瑩展電子園區廠房A西棟(現A2棟)101、201、401房屋)	Yingzhan Electronic Technology (Shenzhen) Limited	10,003.3	Shenzhen Production Plant	100.0	From 1 April 2017 to 31 March 2021
3th Floor, Block A1, Yingzhan Industrial Park, Longtian Community, Kengzi Road, Pingzhan New District, Shenzhen (坪山新區坑梓街道龍田社區瑩展工業園第A1棟標準結構廠房第三層)	Shenzhen Hetianfu Property Investment Management Co., Ltd* (深圳市和天福物業投資管理有限公司)	1,680	Shenzhen Production Plant	32.0	From 1 June 2018 to 31 May 2019
Room 807-808, 8/F, Qianhai Zhuoyue Financial Center (Phase 1), Unit 2, Guiwan Area, Nanshan District, Shenzhen (南山區桂灣片區二單元前海卓越金融中心(一期)8號樓807, 808)	Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司) *(Note)*	397.09	Office	59.6	From 1 February 2018 to 31 January 2021

Note: Shenzhen Qianhai Yufa Technology Company Limited is wholly-owned by Mr. Ma. As such, it is a connected person of our Company and the lease will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing. For details, please refer to the section headed "Connected Transactions" in this prospectus.

INSURANCE

Our Group currently maintains social security insurance for our employees, property insurance for our production facilities in the Shenzhen Production Plant and our vehicles. Our Group does not maintain product liability insurance arising from the manufacture and sale of our products. Our Directors confirm that our Group's insurance coverage is adequate for our operations and is in line with industry practice. As at the Latest Practicable Date, our Group had not made, nor been the subject of, any material insurance claim. There had been no product liability claims against us during the Track Record Period.

INTELLECTUAL PROPERTY

Up to the Latest Practicable Date, we also obtained 17 utility model patents (實用新型專利) and 24 software copyrights (軟件著作權) in the PRC, details of which are set forth in the table below:

Authorised patent and description	Registered owner	Registration number	Date of application	Date of authorisation	Patent duration (from the date of application)
PCB electronic pneumatic testing fixture (PCB電子氣動測試治具)	Shenzhen Hengchang Sheng	ZL201620365232.1	27 April 2016	21 September 2016	10 years
Test system for PCBA boards for portable electronic products (一種用於便攜式電子產品PCBA板的測試系統)	Shenzhen Hengchang Sheng	ZL201620389391.5	29 April 2016	12 October 2016	10 years
A sensor testing device (一種傳感器測試裝置)	Shenzhen Hengchang Sheng	ZL201620339634.4	20 April 2016	12 October 2016	10 years
A camera module auto-motion testing device (一種攝像頭模塊自動移動測試裝置)	Shenzhen Hengchang Sheng	ZL201620362362.X	26 April 2016	12 October 2016	10 years
Testing device for the bank card sensor (銀行卡感應器的測試裝置)	Shenzhen Hengchang Sheng	ZL201620356096.X	25 April 2016	12 October 2016	10 years
Printing machine vacuum base (一種印刷機真空底座)	Shenzhen Hengchang Sheng	ZL201620362508.0	26 April 2016	12 October 2016	10 years
A kind of constant temperature and humidity chamber with infrared temperature measurement (一種具有紅外測溫的恒溫恒濕試驗箱)	Shenzhen Hengchang Sheng	ZL201620356471.0	26 April 2016	12 October 2016	10 years
A mobile phone or tablet automated testing device (一種手機或平板自動檢測裝置)	Shenzhen Hengchang Sheng	ZL201620396246.X	3 May 2016	30 November 2016	10 years
A new type sweeping machine (一種新型掃地機)	Shenzhen Hengchang Sheng	ZL201720044146.5	13 January 2017	23 January 2018	10 years
Wave soldering fixture (波峰焊夾具)	Shenzhen Hengchang Sheng	ZL201720940038.6	29 July 2017	8 May 2018	10 years

Authorised patent and description	Registered owner	Registration number	Date of application	Date of authorisation	Patent duration (from the date of application)
Smartphone charging cabinet (智能手機充電櫃)	Shenzhen Hengchang Sheng	ZL201721087173.7	26 August 2017	22 May 2018	10 years
PCBA double layer test fixture (PCBA雙層板測試治具)	Shenzhen Hengchang Sheng	ZL201721126614.X	1 September 2017	27 April 2018	10 years
PCBA board test device (PCBA板測試裝置)	Shenzhen Hengchang Sheng	ZL201721126615.4	1 September 2017	27 April 2018	10 years
Mobile phone charging cabinet with cooling function (自帶冷卻功能的手機充電櫃)	Shenzhen Hengchang Sheng	ZL201721148401.7	6 September 2017	27 April 2018	10 years
Automatic temperature control charging cabinet (自動控溫的智能充電櫃)	Shenzhen Hengchang Sheng	ZL201721156156.4	6 September 2017	27 April 2018	10 years
Robot with projector function (帶投影功能的機器人)	Shenzhen Hengchang Sheng	ZL201721160767.6	7 September 2017	27 April 2018	10 years
Cup-shaped projector (杯體式投影儀)	Shenzhen Hengchang Sheng	ZL201721146170.6	7 September 2017	5 June 2018	10 years

Authorised Copyright	Registered owner	Registration number	Date of first publication	Expiry date
Hengchang Sheng mobile phone elderly auxiliary function system V1.0 (恒昌盛手機老人輔助功能系統軟件V1.0)	Shenzhen Hengchang Sheng	2015SR155331	26 September 2013	31 December 2063
Hengchang Sheng phone SMS backup a key recovery function system V1.0 (恒昌盛手機短信備份一鍵恢復功能系統軟件V1.0)	Shenzhen Hengchang Sheng	2015SR154964	17 April 2014	31 December 2064
Hengchang Sheng mobile phone test data timely upload data system V1.0 (恒昌盛手機測試數據適時上傳數據系統V1.0)	Shenzhen Hengchang Sheng	2015SR154842	25 February 2015	31 December 2065
Hengchang Sheng mobile screen saver global time difference clock function automatically setting system V1.0 (恒昌盛手機屏保全球時差時鐘功能自動設置系統軟件V1.0)	Shenzhen Hengchang Sheng	2015SR155086	16 October 2014	31 December 2064
Hengchang Sheng mobile download security early warning system V1.0 (恒昌盛手機下載安全預警系統V1.0)	Shenzhen Hengchang Sheng	2015SR154969	13 May 2015	31 December 2065

Authorised Copyright	Registered owner	Registration number	Date of first publication	Expiry date
Hengchang Sheng mobile phone voice dialing function system V1.0 (恒昌盛手機語音撥號功能系統軟件V1.0)	Shenzhen Hengchang Sheng	2015SR155295	21 August 2014	31 December 2064
Hengchang sheng mobile terminal two dimensional code scanning information upload management system V1.0 (恒昌盛移動終端二維碼掃描信息上傳管理系統V1.0)	Shenzhen Hengchang Sheng	2015SR154396	16 April 2015	31 December 2065
Hengchang Sheng mobile phone backup T card function software V1.0 (恒昌盛手機電話本備份T卡功能系統軟件V1.0)	Shenzhen Hengchang Sheng	2015SR155430	18 March 2015	31 December 2065
Hengchang Sheng multifunctional projector machine control system V1.0 (恒昌盛多功能投影儀機器管控系統 V1.0)	Shenzhen Hengchang Sheng	2017SR461586	14 June 2017	31 December 2067
Hengchang Sheng sweeping robot intelligent control system V1.0 (恒昌盛掃地機智能管控系統V1.0)	Shenzhen Hengchang Sheng	2017SR468542	13 June 2017	31 December 2067
Hengchang Sheng IOT smart home remote management and control system V1.0 (恒昌盛物聯網智能家居遠端管控系統 V1.0)	Shenzhen Hengchang Sheng	2017SR462744	13 June 2017	31 December 2067
Hengchang Sheng inverter power detection system V1.0 (恒昌盛逆變器電源檢測系統V1.0)	Shenzhen Hengchang Sheng	2017SR460711	24 June 2017	31 December 2067
Hengchang Sheng ATM machine advertising automatic promotion platform V1.0 (恒昌盛ATM機廣告自動推廣平台 V1.0)	Shenzhen Hengchang Sheng	2017SR461565	20 June 2017	31 December 2067
Hengchang Sheng automatic mobile phone intelligent optimisation system V1.0 (恒昌盛全自動手機智能優化系統 V1.0)	Shenzhen Hengchang Sheng	2017SR461556	14 June 2017	31 December 2067

Authorised Copyright	Registered owner	Registration number	Date of first publication	Expiry date
Hengchang Sheng POS terminal control system V1.0 (恒昌盛POS機終端操控系統 V1.0)	Shenzhen Hengchang Sheng	2017SR461571	13 June 2017	31 December 2067
Hengchang Sheng wireless router connection configuration management system V1.0 (恒昌盛無綫路由器連接配置管控系統 V1.0)	Shenzhen Hengchang Sheng	2017SR461576	13 June 2017	31 December 2067
Hengchang Sheng event data recorder statistics and data analysis system (恒昌盛行車記錄儀數據統計分析系統)	Shenzhen Hengchang Sheng	2018SR399433	21 March 2018	31 December 2068
Hengchang Sheng POS machine use and setting system V1.0 (恒昌盛POS機使用設置系統V1.0)	Shenzhen Hengchang Sheng	2018SR396627	29 March 2018	31 December 2068
Hengchang Sheng ATM machine advertising quest management system V1.0 (恒昌盛ATM機廣告任務管理系統V1.0)	Shenzhen Hengchang Sheng	2018SR384215	3 April 2018	31 December 2068
Hengchang Sheng Bluetooth watch communication and data management system V1.0 (恒昌盛藍牙手錶通訊數據管控系統V1.0)	Shenzhen Hengchang Sheng	2018SR388701	16 March 2018	31 December 2068
Hengchang Sheng order receipt and information management system V1.0 (恒昌盛收單信息管理系統 V1.0)	Shenzhen Hengchang Sheng	2018SR385358	5 April 2018	31 December 2068
Hengchang Sheng POS machine credit card payment system V1.0 (恒昌盛POS機刷卡繳費系統V1.0)	Shenzhen Hengchang Sheng	2018SR384412	20 March 2018	31 December 2068
Hengchang Sheng transaction and order receipt business management system V1.0 (恒昌盛交易收單業務管控系統V1.0)	Shenzhen Hengchang Sheng	2018SR384193	22 March 2018	31 December 2068

Authorised Copyright	Registered owner	Registration number	Date of first publication	Expiry date
Hengchang Sheng mobile phone information receipt and management system V1.0 (恒昌盛手機信息接收管理系統V1.0)	Shenzhen Hengchang Sheng	2018SR384203	27 March 2018	31 December 2068

For details of our Group's registered patents, copyrights and domain names, please refer to the paragraph headed "B. Information about the business — 2. Intellectual property rights of our Group" in Appendix IV to this prospectus.

As at the Latest Practicable Date, our Group is the owner of the following domain names which are considered by our Directors, are material to the business of our Group:

Domain name	Registrant	Registration date	Expiry date
szeternity.com	Shenzhen Hengchang Sheng	12 August 2011	12 August 2020
szeternity.com.cn	Shenzhen Hengchang Sheng	3 June 2006	3 June 2020

Save as set above, as at the Latest Practicable Date, we did not have any material intellectual property rights (whether registered or pending registrations) that are significant to our business operations or financial positions. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group had not engaged in or been threatened with any claim for infringement of any intellectual property rights which would have a material financial and operational impact on us, either as claimant or as respondent.

LICENCES, APPROVALS AND PERMITS

Based on the advice of the PRC Legal Advisers, our Group has obtained all necessary licences, approvals and permits from the relevant governmental authorities for our Group's business operations in the PRC.

RISK MANAGEMENT

Key risks relating to our business are set out in the section headed "Risk factors" in this prospectus. The following sets out the key measures adopted by our Group under our risk management and internal control systems for managing the more particular operational and financial risks relating to our business operation:

(i) *Customer concentration risk*: Please refer to the paragraphs headed "Customers — Customer concentration" and "Customer — Relationship with Customer B" in this section.

(ii) *Risk of potential inaccurate costs estimation and cost inflation*: Please refer to the paragraph headed "Pricing strategy" in this section.

(iii) *Risk relating to suppliers' and subcontractors' performance*: Please refer to the paragraph headed "Raw materials and suppliers — Selection of suppliers" and "Subcontracting — Selection of subcontractors" in this section.

(iv) *Quality control system*: Please refer to the paragraph headed "Quality control" in this section.

(v) *Risk of possible failure, damage or loss of machinery*: Please refer to the paragraph headed "Machinery and equipment — Repair and maintenance" in this section.

(vi) *Health and safety system*: Please refer to the paragraph headed "Occupational health and safety" in this section.

LEGAL AND COMPLIANCE

Set out below is a summary of incidents of our non-compliance with applicable regulations during the Track Record Period. Based on the advice of our PRC Legal Advisers, our Directors and the Sole Sponsor consider that none of the legal and compliance matters as mentioned below will have any material operational or financial impact on our operations. Having considered the facts and circumstances leading to the non-compliance incidents as disclosed in this section, our Directors' integrity, our Group's internal control measures to avoid recurrence of the non-compliance incident, and the preventive measures mentioned below, our Directors and the Sole Sponsor are of the view that we now have adequate and effective internal control procedures in place in accordance with the requirements under the Listing Rules, and the past non-compliance incidents will not affect the suitability of the Directors to act as directors of a listed issuer under Rules 3.08, 3.09 and 8.15 of the Listing Rules, and the suitability for listing of our Company under Rule 8.04 of the Listing Rules. Save as disclosed below, we have obtained and currently maintain all necessary permits and licences that are material to our business operations, and, during the Track Record Period and up to the Latest Practicable Date, we have been in compliance with the applicable PRC laws and regulations relating to our business operations in all material respects.

Non-compliance incident and reason	Legal consequences, potential maximum penalties and other potential future impact on our operations and financial condition	Remedial actions and status as of the Latest Practicable Date	Enhanced internal control measures to prevent recurrence of non-compliance
Pursuant to the Interim Provisions on Labour Dispatch* (勞務派遣暫行規定) which came into effect on 1 March 2014, "if the number of dispatched staff utilised by an employer exceeds 10% of the total number of its workers prior to the effective date of these Provisions, such employer shall develop a scheme for employment adjustments to reduce the proportion to the specified level within 2 years from the effective date of these Provisions. (the "**transitional period**")" Shenzhen Hengchang Sheng engaged 617 dispatched staff and 294 dispatched staff as at 31 December 2015 and 2016, respectively, representing approximately 55.1% and 39.4% of its total number of workers at the corresponding date, which exceeded the regulatory threshold of 10%, and constituted a non-compliance incident of the Interim Provisions on Labour Dispatch* (勞務派遣暫行規定).	According to the Labour Contract Law of the PRC (中華人民共和國勞動合同法), an employer who violates any provision of this Law on labor dispatch and be ordered by the labor administrative department to make rectification within a prescribed time limit, if the employer fails to do so within the prescribed time limit, will be fined RMB5,000 up to RMB10,000 per employee exceeding the 10% statutory threshold. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, Shenzhen Hengchang Sheng had not received any notice of rectification from the labour administrative department. Our PRC Legal Advisers have conducted interviews with the Labour Monitoring Squadron of Longtian Street Office of Pingshan District of Shenzhen City* (深圳市坪山區龍田街道辦事處勞動監察中隊) and have made enquires with Human Resources and Social Security Bureau of Shenzhen City (深圳市人力資源和社會保障局) (the "**Bureau**") whereby the relevant officials confirmed during the interviews that no administrative penalty will be imposed against the employer if the employer has completed the rectification for its subsequent non-compliance with the Interim Provisions on Labour Dispatch. We have obtained an confirmation issued by the Labour Monitoring Squadron of Longtian Street Office of Pingshan District of Shenzhen City* (深圳市坪山區龍田街道辦事處勞動監察中隊) on 23 March 2018, whereby it confirmed that it is the Labour and Social Security authority governing Shenzhen Hengchang Sheng, therefore it was entitled to	To rectify the situation, we signed employment contracts with the dispatched staff or engaged more subcontracting staff to replace the dispatched staff The number of dispatched staff engaged by Shenzhen Hengchang Sheng had been reduced to below the regulatory limit, respectively, as of 30 April 2018.	Our Group has adopted internal policies to require our human resources department to calculate the ratio of dispatched staff to total number of workers on a monthly basis. Such ratio shall be reviewed by the head of the human resources department to ensure compliance with the relevant regulatory requirements in the PRC of dispatched staff.

Non-compliance incident and reason	Legal consequences, potential maximum penalties and other potential future impact on our operations and financial condition	Remedial actions and status as of the Latest Practicable Date	Enhanced internal control measures to prevent recurrence of non-compliance
	certify the compliance of Shenzhen Hengchang Sheng pursuant to relevant PRC Laws and regulations that the current number of dispatched workers engaged by Shenzhen Hengchang Sheng has been reduced to an amount which is lower than the statutory threshold of 10%. Accordingly, the Labour Monitoring Squadron of Longtian Street Office of Pingshan District of Shenzhen City will not impose any penalty on Shenzhen Hengchang Sheng. In addition, the Bureau has issued two letters on 15 January 2018 and 28 May 2018, respectively, which confirms that there is no record of any administration penalty imposed against Shenzhen Hengchang Sheng from 1 January 2012 to 31 December 2017 and from 1 January 2018 to 30 April 2018 by reason of any non-compliance with the relevant labour laws and regulations. As of the Latest Practicable Date, Shenzhen Hengchang Sheng has not received any notice of rectification from the labour administrative departments, and it has obtained the certificate issued by relevant competent department in charge of labour affairs, proving that Shenzhen Hengchang Sheng has not been penalised for violation of labour laws and regulations during the Track Record Period and has completed the rectification for such non-compliance. In light of the above confirmation, letter and certificate and the fact that Shenzhen Hengchang Sheng has taken all rectification actions to rectify this non-compliance in full without receiving any notice of rectification from the labour administrative department in the PRC, our PRC Legal Adviser opined that the Shenzhen Hengchang Sheng will not be exposed to the risk of being penalised by labour administrative department. Mr. Ma, our Controlling shareholder, has undertaken to indemnify the Group for any loss resulting from the dispatched staff non-compliance.		

Non-compliance incident and reason	Legal consequences, potential maximum penalties and other potential future impact on our operations and financial condition	Remedial actions and status as of the Latest Practicable Date	Enhanced internal control measures to prevent recurrence of non-compliance
Housing provident fund contribution According to the Regulations on the Administration of Housing Provident Fund* (住房公積金管理條例) and other relevant regulations, we are required to provide our employees with housing funds and housing benefits. Shenzhen Hengchang Sheng did not set up a housing provident fund account until March 2017 and pay housing provident fund contributions for all employees in accordance with the applicable PRC laws and regulations until May 2017. During the Track Record Period, Shenzhen Hengchang Sheng did not make adequate contribution to housing provident fund for our employees. For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, the amount of unpaid housing provident fund contributions for the employees was approximately RMB1.4 million, RMB1.3 million, RMB0.8 million and RMB0.3 million, respectively. As confirmed by the Directors, Shenzhen Hengchang Sheng did not apply for the registration of housing provident fund or pay for the housing provident fund contributions for the other employees because such employees refused to make their own housing provident fund contributions, for which Shenzhen Hengchang Sheng would be required to make matching contributions.	According to Regulations on the Administration of Housing Provident Fund* (住房公積金管理條例), employers failing to (i) undertake the housing provident fund payment and deposit registration within 30 days after the establishment, or (ii) register housing provident fund accounts for the employees within 30 days after employment, may be ordered to make such registration within a prescribed time limit, where failing to do so at the expiration of that time limit, a fine ranging from RMB10,000 to RMB50,000 will be imposed. Our PRC Legal Advisers have visited the Shenzhen City Housing Fund Management Center Longgang Office Hall* (深圳市住房公積金管理中心龍崗辦事大廳) and made enquiry with the relevant official, whereby the official confirmed that if it discovered any non-compliance or if any complaint against Shenzhen Hengchang Sheng's failure to pay any housing provident fund has been proved to be valid, it will require Shenzhen Hengchang Sheng to pay housing provident fund contributions in full or on time and the employer may be ordered to make outstanding contributions in a prescribed time limit, where failing to do so at the expiration of that time limit, the relevant housing provident fund authority may apply to the PRC courts for enforcement of such payments. Therefore, in addition to the payment of outstanding contributions, we may be subject to a potential maximum fine of RMB50,000. As advised by our PRC Legal Advisers, Shenzhen Hengchang Sheng will not be imposed any other penalty for not paying housing provident fund for all employees during the Track Record Period. Mr. Ma, our Controlling shareholder, has undertaken to indemnify the Group for any loss resulting from the housing provident fund non-compliance.	Shenzhen Hengchang Sheng has set up a housing provident fund account and has been paying contributions to the housing fund to our employees. We had also liaised with the relevant housing provident fund authorities in Shenzhen City, PRC. We received confirmation letters from the relevant housing provident fund authorities on 24 May 2018, confirming that we had never been penalised by them for any breach of the relevant PRC laws and regulations relating to the housing provident funds from February 2017 to April 2018. Notwithstanding the above, we have made provisions for the underpaid housing fund contributions in the sum of RMB1.9 million as at 30 April 2018.	Since March 2017, we have adopted the following measures: (i) adopting internal polices to ensure compliance with all regulatory requirements in the PRC, including the procedures to require our human resources department to review periodically the total number of employees who are required to make housing provident fund contributions, and our administration department to review and check against the total number of employees before making payment for the contribution. (ii) to the extent that their places of origin were located in the relevant urban areas and as far as practicable for these non-urban employees, all incoming employees are required to provide us with their respective housing provident fund registration information. These are mainly employees whose places of origin are located in the relevant urban areas. (iii) we will ensure that all our incoming employees whose respective places of origin are in the relevant urban areas would give consent to set up housing provident fund accounts before they join our Group. During the recruitment interview, the interviewer will clearly explain the requirement for them to pay housing provident fund contribution if they wish to join our Group. As for incoming employees whose respective places of origin are outside of the relevant urban areas, we will persuade them to set up housing provident fund accounts upon joining our Group. If such employees refuse to set up housing provident fund accounts, we will not consider hiring them. At the job induction, our administration department will require the staff to fill in an agreement form to set up an account and contribute to housing provident fund. The administration department will complete all formalities regarding cessation of payment of housing provident fund contribution for all outgoing staff insofar as they have paid housing provident fund contribution;

Non-compliance incident and reason	Legal consequences, potential maximum penalties and other potential future impact on our operations and financial condition	Remedial actions and status as of the Latest Practicable Date	Enhanced internal control measures to prevent recurrence of non-compliance
			(iv) enhancing the awareness of our employees with respect to the importance of participation in housing provident fund schemes by regularly reminding them to make their part of contributions; (v) to the extent to those employees who are willing to pay housing provident fund contributions, conducting internal checking from time to time to ensure that we have paid housing provident fund contributions in accordance with the relevant PRC laws and regulations; and (vi) seeking advice from external legal advisers on the latest requirements of applicable laws and regulations of the PRC.

Non-compliance incident and reason	Legal consequences, potential maximum penalties and other potential future impact on our operations and financial condition	Remedial actions and status as of the Latest Practicable Date	Enhanced internal control measures to prevent recurrence of non-compliance
Social insurance fund According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) and other relevant regulations, we are required to provide our employees with welfare schemes covering social insurance. During the Track Record Period, Shenzhen Hengchang Sheng did not make adequate contribution to social insurance fund for our employees. During the relevant periods, contributions to the social insurance fund were handled by our human resources department. The staff at our human resources department was not familiar with the requirements of the social insurance fund. As such, the staff of our human resources department did not make adequate contribution to the social insurance fund for our employees. For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, the amount of unpaid social insurance fund for the employees was approximately RMB1.4 million, RMB1.1 million, RMB2.0 million and RMB0.7 million, respectively.	Under the relevant PRC laws and regulations, the relevant governmental authority may require the company to make the outstanding contribution with an additional late payment fee at a daily rate of 0.05% of the outstanding contribution from the due date within a given period and, if the company fails to do so, may impose a fine on the company ranging from one to three times of the total amount of the outstanding contribution. Our PRC Legal Advisers have conducted interview with Social Insurance Fund Management Bureau Pingshan Branch of Shenzhen City* (深圳市社會保險基金管理局坪山分局). The official confirmed that the current payment situation of social insurance by our Group has satisfied their requirement and it will not impose any penalty against our Group for our previous non-compliance. In addition, our PRC Legal Advisers are of the view that there is no administration penalty imposed by the relevant social insurance authority against Shenzhen Hengchang Sheng due to any non-compliance of social insurance laws and regulations during the Track Record Period.	We obtained confirmation letters dated 5 January 2018 and 23 May 2018 from the Social Insurance Fund Management Bureau of Shenzhen City* (深圳市社會保險基金管理局), the competent governmental authorities, confirming that, from 1 January 2012 to 31 December 2017 and from 1 January 2018 to 30 April 2018, Shenzhen Hengchang Sheng had not been subject to any penalty, with respect to our payment of social security insurance contribution. Our PRC Legal Advisers are of the view that, since we received the above confirmation letter from the competent governmental authority, the likelihood that the relevant authority would impose fines or penalties on us in this regard should be remote. Our Directors believe that, in view that the likelihood of being fined or penalised is low, no provisions for the fine or penalty to the social insurance fund are required. We have commenced making payments of social insurance fund since April 2017. Up to the Latest Practicable Date, we have not received any request for making up the outstanding contribution nor have we been imposed any punishment as a result of such non-compliance. Our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses incurred by us if we are asked to make up for the difference in payment of social insurance contribution. Notwithstanding the above, we have made provisions for the shortfall of the social insurance fund contributions in the sum of RMB3.4 million as at 30 April 2018.	According to the relevant PRC laws and regulations, employees are mandatorily required to participate in the social insurance fund. We have established internal control procedures to prevent possible deviation in calculation of our social insurance contribution, including: (i) human resources manager is responsible to seek advice from our legal advisers on yearly basis to ensure the accuracy of the calculation of social insurance fund contribution, (ii) an experienced human resources staff has been designated to handle matters in relation to social insurance fund, (iii) the calculation of social insurance contribution will be reviewed by the human resources manager on monthly basis, (iv) manager of general affairs office will review the compliance of social insurance fund contribution on yearly basis and (v) we will retain PRC legal advisers to advise on and to provide training on the relevant PRC laws and regulations in relation to the social insurance fund to human resource department on yearly basis so as to keep abreast of these areas.

LITIGATIONS

During the Track Record Period, Shenzhen Hengchang Sheng was involved in a civil litigation in relation to a fatal traffic accident happened in August 2017. The plaintiffs therein filed a claim in November 2017 at the Shenzhen Longgang District People's Court (深圳市龍崗區人民法院) against, among others, Shenzhen Hengchang Sheng as one of the defendants for an amount of approximately RMB762,420 and litigation costs on the basis that our employee, being the driver at the material time, was liable for the accident. As confirmed by the insurance loss adjuster, the traffic accident fell within the coverage of the relevant insurance policies maintained by Shenzhen Hengchang Sheng. According to the judgement issued by the Shenzhen Longgong District People's Court on 22 March 2018, Shenzhen Hengchang Sheng was not required to bear any responsibility for compensation in such case. As advised by our PRC legal advisers, the judgement is valid and effective. As such, no provision has been made to cover our potential liability under the claim. Our Directors believe that such legal proceeding would not have a material adverse effect on our financial position or results of operations.

Save as otherwise disclosed in this prospectus, during the Track Record Period and as at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration is known to the Directors to be pending or threatened against any member of our Group which would have a material adverse effect on our financial position or results of operations.

Indemnity given by our Controlling Shareholders

Our Controlling Shareholders have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of, among others, any claim to which our Group may be subject to in respect of any disputes, arbitrations or legal proceedings occurring on or before the Listing Date. Further details of the Deed of Indemnity are set out in the paragraph headed "D. Other information — 2. Tax and other indemnities" in Appendix IV to this prospectus.

INTERNAL CONTROL

To streamline the current internal control procedure, we engaged the Internal Control Consultant in February 2017 to review the adequacy and effectiveness of our internal control procedures, systems and controls. The Internal Control Consultant is a professional firm specialising in providing corporate governance, internal audit and internal control review services to new listing applicants and listed companies.

The objective of the internal control review is to assess and identify significant weakness in relevant procedures, systems and controls as established by our Group. A detail evaluation was done by our Internal Control Consultant. Through an initial review during March, April, June and November 2017, our Internal Control Consultant identified some weaknesses and deficiencies in our internal control system and recommended certain measures on the area including staff management, budget and risk management, information and communication system and internal audit function to improve our internal control system.

The Internal Control Consultant has identified the following key findings and our Group has taken the following remedial actions based upon the Internal Control Consultant's recommendations:

KEY FINDINGS	REMEDIAL ACTION TAKEN
Our Group had no compliance manual, which includes a compliance system in relation to the Listing Rules and laws and regulations on anti-bribery, antidiscrimination and privacy of personal information.	Our Group adopted a compliance manual with compliance system in relation to the Listing Rules, and laws and regulations on anti-bribery, antidiscrimination and privacy of personal information.
Our Group did not require all applicants to submit academic certificates or work experience reference documents to support their job application.	Our Group required job applicants to provide supporting documents in relation to their academic qualifications and working experience since May 2017.
When recruiting staff of managerial grades, our Group did not require applicants to disclose their potential conflict with our Group.	Our Group has requested job applicants to disclose his/her potential conflict of interest with our Group when recruiting staff of managerial grade or above since February 2017.
Our Group did not prepare any profit forecast.	Our financial controller has prepared the profit forecast memorandum and cash flow forecast memorandum.
Our Group did not have any formal procedure for reporting connected transactions and related party transaction.	Our Group has adopted a compliance manual with a compliance system in relation to helping our Group in identifying connected transaction and related party transactions.

Internal control measures to improve corporate governance

Our Directors recognise the importance of up-keeping adequate internal control and risk management systems. In order to continuously improve our Group's corporate governance, our Group has implemented and will implement the following measures:

- Our Group will engage a PRC legal adviser to provide legal services to it in relation to future compliance with the PRC laws and regulations in all respects;

- Our Group has arranged for our Directors and senior management to attend a training program on the relevant applicable laws and regulations, including the Listing Rules, provided by our Company's Hong Kong legal advisers prior to the Listing. Our Group will continue to arrange various training programs on an annual basis to be provided by its legal advisers in Hong Kong and the PRC and/or any appropriate accredited institution to update our Directors, senior management and relevant employees on the relevant laws and regulations. In addition, specific training programme(s) in relation to updates on relevant applicable laws and regulations will also be held when necessary;

- Our Company has appointed Dakin Capital Limited as our compliance adviser to advise on regulatory compliance with the Listing Rules;

- When necessary, we will engage external professional, including auditors, internal control consultant, and external legal advisers to render professional advice as to compliance with statutory and regulatory requirements, as applicable to our Group from time to time. Our Group intended to retain PricewaterhouseCooper as the auditor for the consolidated financial statements of the Group after listing;

- Our Group has provided trainings for our employees on compliance matters in order to develop a corporate culture and to enhance their compliance perception and responsibility and to enhance their knowledge to manage our operation risks. For example, road safety trainings (involving traffic accidents' cause analysis and traffic regulations update) has been provided to our staff of the logistic department, and our Directors take the view that such trainings together with other internal control measures (such as our vehicle maintenance policy) are adequate to ensure our compliance with internal motor vehicle management policy and relevant driving behavior regulation in the PRC. Our Group plans to provide training to employees of managerial level on an annual basis and ad hoc training to all relevant employees when our Group finds it necessary; and

- On 25 July 2018, we established an Audit Committee which will implement formal and transparent arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations, including timely preparation and laying of accounts. It will also periodically review our compliance status with the Hong Kong laws after the Listing. The Audit Committee will exercise its oversight by:

  (i) reviewing our internal control and legal compliance;

  (ii) discussing the internal control systems with the management of our Group to ensure that the management has performed its duty to have an effective internal control system; and

  (iii) considering the major investigation findings on internal control matters as delegated by the Board or on its own initiative and the management's response to these findings.

Based on the above, our Directors are of the view that the above internal control measures could adequately and effectively ensure that our Group has implemented a proper internal control system and maintained good corporate governance practices.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme), our Company will be owned as to 63.75% by Rich Blessing, which is owned as to 62.91% by Mr. Ma, 20.00% by Ms. Chen, 14.89% by Ms. Cheng Lihong, and 2.20% by Mr. Cheng. Ms. Cheng Lihong is the spouse of Mr. Ma and the elder sister of Mr. Cheng; and Mr. Cheng is the younger brother of Ms. Cheng Lihong and the brother-in-law of Mr. Ma.

Mr. Ma, Ms. Chen, Ms. Cheng Lihong and Mr. Cheng (the "**Individual Controlling Shareholders**") executed the Acting in Concert Confirmation on 28 February 2018, pursuant to which the Individual Controlling Shareholders confirmed the existence of their acting concert arrangements in respect of Shenzhen Hengchang Sheng in the past, as well as their intention to continue to act in the above manner upon Listing to consolidate their control over the Group during the period when all of them directly or indirectly held the equity interest in the Group. Pursuant to the Acting in Concert Confirmation, the Individual Controlling Shareholders confirm that, among others, they shall reach a consensus prior to approving any matters in the Shareholders' meetings or the Board meetings of the Company and exercise his/her voting right according to such consensus unanimously. If the parties cannot agree on the kind of voting rights to be exercised and how to exercise the voting rights on the relevant major issues, the parties unanimously agree to vote in accordance with the vote or direction of Mr. Ma.

Although Ms. Chen, Ms. Cheng Lihong and Mr. Cheng do not hold more than 50% interest in Rich Blessing, each of them along with Mr. Ma have decided to restrict their ability to exercise direct control over our Company by holding their interests through Rich Blessing. In addition, Mr. Ma, Ms. Chen, Ms. Cheng Lihong and Mr. Cheng have been and will continue to be parties acting in concert in respect of our Group. As such, Mr. Ma, Ms. Chen, Ms. Cheng Lihong, Mr. Cheng and Rich Blessing are regarded as a group of Controlling Shareholders of our Company under the Listing Rules.

NON-COMPETITION UNDERTAKINGS

Our Controlling Shareholders have confirmed that they do not have any interest in any business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

In order to avoid any future competition between our Group and our Controlling Shareholders, each of our Controlling Shareholders has undertaken to us in the Deed of Non-Competition that, among others, he/she/it will not, and will procure his/her/its close associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with the business currently engaged or possibly to be engaged by our Group in the future (the "**Restricted Activity**"), or hold shares or interest in any companies or business that compete directly or indirectly with our business from time to time except where our Controlling Shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not control 10% or more of the composition of the board of directors of such company.

Further, each of our Controlling Shareholders has undertaken to procure that if any new business investment or other business opportunity related to the Restricted Activity (the "**Competing Business Opportunity**") is identified by or made available to him/her/it or any of his/her/its close associates, he/she/it shall, and shall procure that his/her/its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving a written notice (the "**Offer Notice**") to our Company of such Competing Business Opportunity within 30 business days of identifying the target company (if relevant) and providing the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;

- upon receiving the Offer Notice, our Company shall seek approval from our Board or a board committee (in each case comprising only of independent non-executive Directors who has no interest in the Competing Business Opportunity) (the "**Independent Board**") as to whether to pursue or decline the Competing Business Opportunity (any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity);

- the Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisers and legal advisers to assist in the decision-making process in relation to such Competing Business Opportunity;

- the Independent Board shall, within 30 business days of receipt of the written notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity;

- our Controlling Shareholders shall be entitled but not obliged to pursue such Competing Business Opportunity if he/she/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 days' period mentioned above; and

- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by our Controlling Shareholders, he/she/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders and their close associates cease to hold, whether directly or indirectly, an aggregate of 30% of the Shares or the Shares cease to be listed on the Stock Exchange.

In order to promote good corporate governance practices and to improve transparency in respect of any potential conflict of interests between our Group and our Controlling Shareholders, we have adopted the following corporate governance measures:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- each of our Controlling Shareholders has undertaken to us that he/she/it will and will procure his/her/its relevant close associates that he/she/it or any of his/her/its close associates will provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-Competition;
- we will disclose the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules;
- we will disclose the decisions on matters reviewed by the independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to our Company) either through our annual report or by way of announcement to the public;
- each of our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report; and
- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of the Deed of Non-Competition, he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that our Group is capable of carrying on its business independently from our Controlling Shareholders and their respective close associates after completion of the Share Offer.

Management Independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. The Board's main function includes the approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. Our Group has an independent management team, which is led by our senior management with substantial experience and expertise in our business, to implement our Group's policies and strategies.

Our Board currently consists of three executive Directors and three independent non-executive Directors. Mr. Ma and Mr. Cheng are brothers-in-law. Apart from Mr. Ma, who is the sole director of Rich Blessing, no other Director holds any directorship or senior management position in Rich Blessing. While each of our executive Directors, namely Mr. Ma, Ms. Chen and Mr. Cheng is also a Controlling Shareholder, our Board comprises a balanced composition of independent non-executive Directors who have sufficient character, integrity and calibre for their views to carry weight, and thus can effectively exercise independent judgment.

Each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum. Our Directors are of the view that our Board and senior management are capable of managing our Group's business independently from our Controlling Shareholders.

Operational Independence

We are independent from our Controlling Shareholders as we have our own marketing, production, administration, finance and human resources teams which operate and are expected to operate separately and independently of our Controlling Shareholders. We also have independent access to suppliers and customers. We are also in possession of all relevant licenses necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently from our Controlling Shareholders.

Financial Independence

We have established our own finance department with independent financial staff who are responsible for financial management, accounting treatment, financial reporting, group credit and internal control of our Group. We can make financial decisions independently without interference from our Controlling Shareholders. We have also established an independent audit system, a standardised financial and accounting system and a complete financial management system. We maintain bank accounts with banks independently and our Controlling Shareholders do not share any bank accounts with us. Our Directors are of the view that we have sufficient capital to operate our business independently, and we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders or other connected persons.

During the Track Record Period, there were certain amounts due to and from our Controlling Shareholders and/or the companies controlled by them, details of which are set out in note 28 of the Accountant's Report set out in Appendix I to this prospectus. Such amounts had been fully settled as at the Latest Practicable Date. In addition, as at 31 December 2015, 2016 and 2017 and 30 April 2018, our Group had certain bank borrowings that were secured by personal guarantees given by Mr. Ma, or Mr. Ma and Ms. Cheng Lihong (our Controlling Shareholder) and/or a corporate guarantee given by a related company controlled by Mr. Ma, details of which are set out in note 25 of the Accountant's Report set out in Appendix I to this prospectus. Such guarantees will be released and be replaced by corporate guarantee from our Company upon Listing.

Based on the foregoing, our Directors are of the view that we are financially independent from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTEREST

Our Controlling Shareholders and their respective close associates must not compete with us as provided in the Deed of Non-Competition. Each of our Controlling Shareholders has confirmed that he/she/it fully understands his/her/its obligation to act in our Shareholders' and our best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(a) as part of our preparations for the Share Offer, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, unless otherwise provided, a Director shall not vote any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the Board meetings on matters in which such Director or his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(c) we are committed to include a balanced composition of executive and independent non-executive Directors. We have appointed three independent non-executive Directors and we believe that our independent non-executive Directors possess sufficient experience and are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, and independent opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the paragraph headed "Directors and Senior Management — Board of Directors — Independent non-executive Directors" in this prospectus; and

(d) we have appointed Dakin Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

Our Group has entered into the following transaction which will continue after the Listing and constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Head Office Tenancy Agreement

Shenzhen Qianhai Yufa Technology Company Limited*(深圳市前海宇發科技有限公司) ("**SZ Qianhai Yufa**"), an enterprise established under the laws of the PRC and wholly-owned by Mr. Ma, and Shenzhen Hengchang Sheng entered into a tenancy agreement on 1 February 2018 (the "**Tenancy Agreement**") pursuant to which Shenzhen Hengchang Sheng leased from SZ Qianhai Yufa a property situated at Room 807-808, 8/F, Qianhai Zhuoyue Financial Center (Phase 1), Unit 2, Guiwan Area, Nanshan District, Shenzhen, the PRC (深圳市南山區桂灣片區二單元前海卓越金融中心(一期)8樓807-808 室 (the "**Property**") with a total gross floor area of approximately 397 sq.m. for office use. The leasing of the Property will continue after the Listing pursuant to the Tenancy Agreement.

The term of the Tenancy Agreement is for a period of three years from 1 February 2018 to 31 January 2021 with a monthly rental of RMB59,550 (exclusive of management fees, utilities, network fees and other outgoings). For each of the years ending 31 December 2018, 2019 and 2020, the proposed annual caps for the tenancy are approximately RMB655,050, RMB714,600 and RMB714,600, respectively.

The rental payable under the Tenancy Agreement was determined at arm's length negotiations between the parties with reference to prevailing market rent of the surrounding office premises in the vicinity of the Property. Our Directors (including our independent non-executive Directors) are of the view that the Tenancy Agreement has been entered into in the ordinary and usual course of business, on normal commercial terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Mr. Ma is an executive Director and a Controlling Shareholder. Hence, Mr. Ma is a connected person of our Company under the Listing Rules. SZ Qianhai Yufa is wholly-owned by Mr. Ma and thus an associate of Mr. Ma. As such, SZ Qianhai Yufa is a connected person of our Company and the transactions under the Tenancy Agreement will constitute continuing connected transactions for our Company upon Listing. As the relevant percentage ratios (other than profits ratio) on an annual basis for the Tenancy Agreement are less than 5% and the annual consideration is less than HK$3,000,000, the transactions under the Tenancy Agreement are fully exempt from independent Shareholders' approval, annual review, and all disclosure requirements under Chapter 14A of the Listing Rules.

BOARD OF DIRECTORS

Our Board currently consists of six Directors, comprising three executive Directors and three independent non-executive Directors. Our Board is responsible and has general powers for management and conduct of our business.

The table below shows certain information in respect of members of our Board:

Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Position(s) in our Company	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Mr. Ma Fujun (馬富軍)	44	2 January 2003	15 March 2017	Executive Director, chairman of our Board and chief executive officer	Overall management, strategic planning, and business development of our Group	Brother-in-law of Mr. Cheng
Ms. Chen Xiaoyuan (陳筱媛)	44	27 August 2007	15 March 2017	Executive Director	Responsible for the accounting and financial functions of our Group	None
Mr. Cheng Bin (程彬)	40	2 January 2003 - 23 July 2007, and rejoined on 4 January 2009	15 March 2017	Executive Director	Responsible for the sales and marketing functions of our Group	Brother-in-law of Mr. Ma
Mr. Chan Chung Kik Lewis (陳仲戟)	45	25 July 2018	25 July 2018	Independent non-executive Director	Overseeing the management of our Group independently	None
Mr. Wu Chi-luen (吳季倫)	41	25 July 2018	25 July 2018	Independent non-executive Director	Overseeing the management of our Group independently	None
Mr. Chow Kit Ting (周傑霆)	33	25 July 2018	25 July 2018	Independent non-executive Director	Overseeing the management of our Group independently	None

Executive Directors

Mr. Ma Fujun (馬富軍), aged 44, is the chairman of our Board, our chief executive officer and a Controlling Shareholder. Mr. Ma together with his brother-in-law, Mr. Cheng, founded Eternity Technology in 2003. Mr. Ma was appointed as a director of Eternity Technology on 2 January 2003. Mr. Ma was first appointed as a director of our Company on 15 March 2017, and was redesignated as our executive Director on 28 February 2018. He was also appointed as the chairman of the Nomination Committee of the Board on 25 July 2018. Mr. Ma is also the director, general manager, legal representative and chairman of the board of Shenzhen Hengchang Sheng, and the sole director of Total United, Agreeable and Eternity Technology. He is responsible for the overall management, strategic planning, and business development of our Group.

Mr. Ma has over 16 years of experience in electronics engineering. He attended Xi'an University of Technology from September 1994 to July 1997, and obtained a Junior College Education degree in Mechatronic Engineering in July 1997. From March 2001 to May 2011, Mr. Ma served as the general manager, legal representative and chairman of the board of directors of Shenzhen Active Tactics Electronics Company Limited.

Mr. Ma was previously the person-in-charge or supervisor of the companies shown in the table below before their respective dissolution and/or revocation of the business licence:

Name of company	Place of establishment	Principal business activity before dissolution or revocation of business licence	Position of Mr. Ma	Status of the company	Date of dissolution or revocation of business licence
Shenzhen City Bao'an District Xixiang Town Eternity Electronics Factory* (深圳市寶安區西鄉鎮恒昌盛電子廠)	PRC	Processing of electronic products	Person-in-charge	Dissolved and deregistered	10 June 2004
Shenzhen Jiataijia Industrial Co Ltd* (深圳市嘉泰佳實業有限公司)	PRC	Cessation of business	Supervisor	Business licence revoked	10 January 2001

The business licence of Shenzhen Jiataijia Industrial Co Ltd* (深圳市嘉泰佳實業有限公司) was revoked in January 2001 due to its failure to undergo annual inspection in 1998 and 1999 as required under the relevant PRC regulations. Mr. Ma confirmed that the above companies were solvent at the time of deregistration/revocation, and he did not incur any debt and/or liabilities because of such deregistration and revocation, and that the deregistration/revocation did not have any negative effect on the Group.

Mr. Ma is the spouse of Ms. Cheng Lihong, a Controlling Shareholder, and the brother-in-law of Mr. Cheng.

Ms. Chen Xiaoyuan (陳筱媛), aged 44, is a Controlling Shareholder of our Company. She was first appointed as a director of our Company on 15 March 2017, and was redesignated as our executive Director on 28 February 2018. Ms. Chen is also a director and vice general manager of Shenzhen Hengchang Sheng. She is primarily responsible for the accounting and financial functions of our Group.

Ms. Chen graduated from Jiangxi University of Finance and Economics majoring in foreign-related Accounting in June 1995. Ms. Chen joined our Group on 27 August 2007 as a manager of the finance department of Shenzhen Hengchang Sheng and was promoted to a vice general manager in April 2015. Prior to joining Shenzhen Hengchang Sheng, she worked as a financial manager at Telehof Electronics Instruments & Equipment (Shenzhen) Co., Ltd, which specialised in the manufacture and sales of security products and surge protective devices, from October 1997 to October 2006.

Mr. Cheng Bin (程彬), aged 40, is a Controlling Shareholder of our Company. He was first appointed as a director of our Company on 15 March 2017, and was redesignated as our executive Director on 28 February 2018. He is also a supervisor and vice general manager of Shenzhen Hengchang Sheng. He is primarily responsible for the sales and marketing functions of our Group.

Mr. Cheng completed vocational education at Jiangxi Shipping Technical School* (江西船舶技術學校) in July 1996. From November 2000 to December 2008, Mr. Cheng was a manager at Shenzhen Active Tactics Electronics Company Limited which principally involved in the surface-mount technology stencil production business. Mr. Cheng together with his brother-in-law, Mr. Ma, founded Eternity Technology in 2003. He first joined our Group as a director of Eternity Technology from 2 January 2003 to 23 July 2007. He joined Shenzhen Hengchang Sheng as project manager in January 2009, and has been a vice general manager since July 2014. Since October 2016, he has been attending Business Administration training class at the Graduate School at Shenzhen, Tsinghua University.

Mr. Cheng was previously the person-in-charge of the below company before its dissolution:

Name of company	Place of establishment	Principal business activity before dissolution	Position of Mr. Cheng	Status of the company	Date of dissolution
Shenzhen City Bao'an District Shajing Cewei Electronics Business Department* (深圳市寶安區沙井策為電子經營部)	PRC	Dormant	Person-in-charge	Dissolved and deregistered	7 August 2017

Mr. Cheng confirmed that Shenzhen City Bao'an District Shajing Cewei Electronics Business Department* (深圳市寶安區沙井策為電子經營部) was solvent at the time of deregistration, and he did not incur any debt and/or liabilities because of such deregistration, and that the deregistration did not have any negative effect on the Group.

Mr. Cheng is the younger brother of Ms. Cheng Lihong, our Controlling Shareholder, and the brother-in-law of Mr. Ma.

Independent non-executive Directors

Mr. Chan Chung Kik Lewis (陳仲戟), aged 45, was appointed as our independent non-executive Director on 25 July 2018, a member of each of the Audit Committee, Remuneration Committee and the Nomination Committee of the Board on 25 July 2018. He is primarily responsible for overseeing the management of our Group independently.

Mr. Chan obtained a bachelor degree of commerce in accounting from the University of Canberra in Australia in September 1997. He is currently a fellow of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.

Mr. Chan has more than 20 years of experience in auditing, accounting and corporate finance. From May 1997 to February 2001, Mr. Chan held various positions in Grant Thornton, an accounting firm, where he last served as audit supervising senior and was primarily responsible for providing auditing services. From February 2001 to February 2005, he held various positions at Ernst & Young, an accounting firm, where he last served as manager and was primarily responsible for audit of listed and non-listed companies in Hong Kong and China. From March 2005 to March 2006, he served as a group finance manager of Tianjin Development Holdings Limited, a company which is listed on the Main Board of the Stock Exchange (Stock Code: 882). From August 2006 to May 2007, Mr. Chan served as the financial controller and company secretary of Tianjin Lishen Battery Joint-Stock Co., Ltd. (天津力神電池股份有限公司). From July 2007 and February 2015, Mr. Chan served as the chief financial officer of Xingye Copper International Group Limited (now known as Huan Yue Interactive Holdings Limited), a company listed on the Main Board of the Stock Exchange (Stock Code: 505), where he was responsible for the overall financial management functions of the group. From July 2007 to May 2008 and from June 2009 to May 2015, Mr. Chan also served as the company secretary of the same company. He served as an independent non-executive director of Shandong Xinhua Pharmaceutical Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code:719) and the Shenzhen Stock Exchange (Stock Code: 000756), from May 2014 to June 2018; and Kwan On Holdings Limited, a company which was previously listed on the GEM Board of the Stock Exchange (Stock Code: 8305) and was subsequently transferred to the Main Board of the Stock Exchange (Stock Code: 1559) in August 2016, between March 2015 and September 2016.

Since May 2015, Mr. Chan has served as the chief financial officer and the joint company secretaries of Denox Environmental & Technology Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1452). Mr. Chan also serves as the independent non-executive director of (i) Hong Guang Lighting Holdings Company Limited, a company listed on GEM Board of the Stock Exchange (Stock Code: 8343), since December 2016; (ii) Founder Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 418), since March 2017; (iii) Peking University Resources (Holdings) Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 618), since March 2017; and (iv) Wing Chi Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 6080), since September 2017.

Despite the practice of Mr. Chan maintaining concurrent independent non-executive directorships at various listed companies and as the chief financial officer and the joint company secretary of another company at the same time, Mr. Chan will have sufficient time and resources to serve on the Board without affecting his discharge of fiduciary duties as a director of our Company as required by the Listing Rules as: (a) Mr. Chan had attended all the board meetings and meetings of the board committees which he is a member of the relevant listed companies since his appointment as an independent non-executive director of the relevant listed companies based on the attendance record of Mr. Chan at the board and board committee meetings of the relevant listed companies as disclosed in the respective annual reports of the relevant listed companies and the confirmation from Mr. Chan; and (b) Mr. Chan has confirmed that (i) unlike an executive director, an independent non-executive director typically does not engage in the day-to-day management of a company, and thus he has not found any difficulty in devoting and managing his time for his present roles; and (ii) none of the listed companies that he has directorship has questioned or complained about his time devoted to the listed companies.

Mr. Wu Chi-luen (吳季倫), aged 41, was appointed as our independent non-executive Director on 25 July 2018, the chairman of the Audit Committee and Remuneration Committee, and a member of the Nomination Committee of the Board on 25 July 2018. He is primarily responsible for overseeing the management of our Group independently.

Mr. Wu graduated from the Department of Mathematics (Applied Mathematics Section), College of Science and Engineering and was conferred the Degree of Bachelor of Science in June 2000, and graduated from the Graduated School of Management (Master's Program), College of Management with a Degree of Master of Business Administration in June 2002, both at the Fu-Jen Catholic University in Taiwan. Mr. Wu served as a Territory Sales Representative of Seagate Technology Taiwan Limited from October 2010 to October 2014 and has over 5 years of experience in the industry of information technology, and is knowledgeable on technology trend and industry know-how. He has been an executive director and vice chief executive officer of InvesTech Holdings Limited, a company listed on the Stock Exchange (stock code: 1087) and principally engaged in the provision of network system integration including provision of network infrastructure solutions, network professional services, mobile internet software of office automation, trading of telecommunications equipment, and money lending business since June 2015 and August 2017, respectively.

Mr. Chow Kit Ting (周傑霆), aged 33, was appointed as our independent non-executive Director on 25 July 2018, a member of the Audit Committee and Remuneration Committee of the Board on 25 July 2018. He is primarily responsible for overseeing the management of our Group independently.

Mr. Chow Kit Ting obtained a Bachelor's degree of Commerce with a major in Accountancy from Macquarie University in 2007. He is a member of Certified Public Accountants (CPA) Australia and a member of Hong Kong Institute of Certified Public Accountants.

From September 2007 to March 2015, Mr. Chow has worked in audit department in Deloitte Touche Tohmatsu and his last position was as a manager. Mr. Chow was the financial controller and company secretary of Link Holdings Limited, a company listed on GEM Board of the Stock Exchange (Stock Code: 8237) from March 2015 to January 2016. He is now the financial controller and company secretary of Kin Shing Holdings Limited, a company listed on Main Board of the Stock Exchange (Stock Code: 1630), since February 2016. He has extensive experience in accounting, corporate finance, compliance and company secretarial.

Save as disclosed herein, each of our Directors confirmed with respect to himself/herself that: (i) he/she did not hold other positions in our Company or members of our Group as at the Latest Practicable Date; (ii) he/she had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date; (iii) he/she did not hold any other directorships in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas in the three years prior to the Latest Practicable Date; (iv) there are no other matters concerning our Directors' appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules. As at the Latest Practicable Date, save as disclosed in the section headed "C. Further information about Directors and Substantial Shareholders" in Appendix IV to this prospectus, each of our Directors did not have any interests in the Shares within the meaning of Part XV of the SFO.

SENIOR MANAGEMENT

Set out below are certain information in respect of Ms. Jian, our financial controller, as a member of our senior management:

Name	Age	Date of joining our Group	Date of appointment as senior management	Existing position(s) in our Company	Roles and responsibilities
Ms. Jian Xue Gen (簡雪艮)	33	5 December 2016	5 December 2016	Financial controller	Financial reporting, financial planning, treasury and financial control of our Group

Ms. Jian Xue Gen (簡雪艮), aged 33, is the financial controller of our Company since 5 December 2016 when she joined our Group and is mainly responsible for financial reporting, financial planning, treasury and financial control of our Group. Ms. Jian obtained a Bachelor's degree in Accounting from South China University of Technology in July 2008. She is a member of the Chinese Institute of Certified Public Accountants. Prior to joining our Company, from November 2008 to December 2016, Ms. Jian worked at the Guangzhou branch of Ernst & Young LLP, and her last position was an audit manager.

Ms. Jian has not been a director of any public companies the securities of which are listed on any securities market in Hong Kong or overseas for the three years immediately preceding the Latest Practicable Date.

COMPANY SECRETARY

Ms. Xu Jing (徐靜), aged 40, was appointed as the company secretary of the Company on 28 February 2018 and is mainly responsible for overall company secretarial matters of the Group. Ms. Xu Jing holds a Bachelor of Management degree from Zhongnan University of Economics and Law, majoring in Accounting. She is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Certified Public Accountants, and a member of the Chinese Institute of Certified Public Accountants.

Ms. Xu has over 15 years of experience in finance management, tax planning and management, investing and financing management, internal control and company secretary services. From July 2002 to May 2007, Ms. Xu served as an accountant in Yulong Computer Telecommunication Scientific (Shenzhen) Co., Ltd which is the wholly-owned subsidiary of Coolpad Group Limited (formerly known as China Wireless Technologies Limited) ("**Coolpad**"), a company listed on the Stock Exchange (stock code: 2369) and being one of the core IPO team members for the preparation of the listing of Coolpad. From June 2007 to March 2012, she was the financial controller and qualified accountant at Shenzhen Neptunus Interlong Bio-technique Company Ltd* (深圳市海王英特龍生物技術股份有限公司), a company listed on the GEM Board of the Stock Exchange (stock code: 8329). From February 2012 to April 2015, she held the position of financial director at Shenzhen Jiantao Technology Company Limited* (深圳市建滔科技有限公司). Ms. Xu joined China Health Group Inc., a company listed on the GEM Board of the Stock Exchange (stock code: 8225) in December 2015 as company secretary and resigned in June 2016.

AUTHORISED REPRESENTATIVES

Mr. Ma Fujun and Ms. Xu Jing are the authorised representatives of our Company.

BOARD COMMITTEES

Audit Committee

Our Company established an Audit Committee on 25 July 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control and risk management systems of our Group. The Audit Committee consists of three independent non-executive Directors, namely Mr. Wu Chi-luen, Mr. Chow Kit Ting and Mr. Chan Chung Kik Lewis. Mr. Wu Chi-luen is the chairman of the Audit Committee.

Remuneration Committee

Our Company established a Remuneration Committee on 25 July 2018 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are mainly to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance-based remuneration; and ensure none of our Directors determine their own remuneration. The Remuneration Committee consists of three independent non-executive Directors, namely Mr. Wu Chi-luen, Mr. Chow Kit Ting and Mr. Chan Chung Kik Lewis. Mr. Wu Chi-luen is the chairman of the Remuneration Committee.

Nomination Committee

Our Company established a Nomination Committee on 25 July 2018 with written terms of reference in compliance with the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Nomination Committee consists of an executive Director, namely Mr. Ma, and two independent non-executive Directors, namely Mr. Wu Chi-luen and Mr. Chan Chung Kik Lewis. Mr. Ma is the chairman of the Nomination Committee.

CORPORATE GOVERNANCE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, save as set out below, our Company intends to comply with the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules after Listing.

Under paragraph A.2.1 of the Corporate Governance Code and Corporate Governance Report, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Under the current organisation structure of our Company, Mr. Ma is our chairman and chief executive officer. With his extensive experience in the industry, our Board believes that vesting the roles of both chairman and chief executive officer in the same person provides our Company with strong and consistent leadership, allows for effective and efficient planning and implementation of business decisions and strategies, and is beneficial to the business prospects and management of our Group. Although Mr. Ma performs both the roles of chairman and chief executive officer, the division of responsibilities between the chairman and chief executive officer is clearly established. In general, the chairman is responsible for supervising the functions and performance of our Board, while the chief executive officer is responsible for the management of the business of our Group. The two roles are performed by Mr. Ma distinctly. We also consider that the current structure does not impair the balance of power and authority between our Board and the management of our Company given the appropriate delegation of the power of our Board and the effective functions of our independent non-executive Directors. However, it is the long-term objective of our Company to have these two roles performed by separate individuals when suitable candidates are identified.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of fixed salaries in accordance with their respective service contracts and letters of appointment with our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the business operations. Our Board regularly reviews and determines the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group. After the Listing, our remuneration committee will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload, the time devoted to our Group and the performance of our Group.

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the aggregate amount of remuneration including salaries, discretionary bonus, allowance and benefits in kind and contributions to pension scheme granted by us to our Directors were approximately RMB0.6 million, RMB1.8 million, RMB2.2 million and RMB0.7 million, respectively.

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the aggregate amount of remuneration including wages and salaries and contributions to pension scheme to our senior management were approximately RMB0.6 million, RMB1.9 million, RMB2.6 million and RMB0.9 million, respectively.

For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the aggregate amount of remuneration including wages and salaries and contributions to pension scheme which were paid by our Group to our five highest paid individuals including Directors were approximately RMB1.0 million, RMB2.7 million, RMB3.4 million and RMB1.1 million, respectively.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018. Further, none of our Directors waived any remuneration for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018.

Under the arrangements currently in force, the aggregate amount of remuneration (including fees, wages and salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind but excluding discretionary bonus) of our Directors for the year ending 31 December 2018 is estimated to be approximately RMB1.2 million.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 25 July 2018. For details of the Share Option Scheme, please refer to the section headed "D. Other information—1. Share Option Scheme" in Appendix IV to this prospectus.

COMPLIANCE ADVISER

We have appointed Dakin Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the net proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors as of the Latest Practicable Date, the following persons will, immediately following completion of the Share Offer and Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which will fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

		Immediately following the completion of the Share Offer and the Capitalisation Issue	
Name of Shareholder	**Nature of interest**	**Number of Shares held/ interested[(1)]**	**Percentage of Shareholding (%)**
Rich Blessing	Beneficial owner[(2)]	191,250,000[(L)]	63.75
Mr. Ma	Interest of a controlled corporation[(2)]	191,250,000[(L)]	63.75
Ms. Cheng Lihong	Interest of spouse[(3)]	191,250,000[(L)]	63.75
Elite Foster	Beneficial owner[(4)]	33,750,000[(L)]	11.25
Mr. Lu Wan Ching	Interest of a controlled corporation[(4)]	33,750,000[(L)]	11.25
Ms. Wong Yuk Ting	Interest of spouse[(5)]	33,750,000[(L)]	11.25

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Rich Blessing is owned as to 62.91% by Mr. Ma, 20% by Ms. Chen, 14.89% by Ms. Cheng Lihong and 2.20% by Mr. Cheng. Mr. Ma is also the sole director of Rich Blessing. Therefore, Mr. Ma is deemed or taken to be interested in the Shares held by Rich Blessing under the SFO.

(3) Ms. Cheng Lihong is the spouse of Mr. Ma. Therefore, Ms. Cheng Lihong is deemed or taken to be interested in the Shares in which Mr. Ma is interested under the SFO.

(4) Elite Foster is wholly owned by Mr. Lu Wan Ching. Therefore, Mr. Lu Wan Ching is deemed or taken to be interested in the Shares held by Elite Foster under the SFO.

(5) Ms. Wong Yuk Ting is the spouse of Mr. Lu Wan Ching. Therefore, Ms. Wong Yuk Ting is deemed or taken to be interested in the Shares in which Mr. Lu Wan Ching is interested under the SFO.

Except as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Share Offer and Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which will fall to be disclosed to us and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group.

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company (including Shares in issue and to be issued as fully paid or credited as fully paid) immediately following the completion of the Share Offer and the Capitalisation Issue:

		HK$
Authorised share capital:		
8,000,000,000	Shares of par value HK$0.01 each	80,000,000.00
		HK$
Shares issued and to be issued, fully paid or credited as fully paid:		
480	Shares in issue as at the date of this prospectus	4.80
224,999,520	Shares to be issued pursuant to the Capitalisation Issue	2,249,995.20
75,000,000	Shares to be issued pursuant to the Share Offer	750,000.00
300,000,000	Total	3,000,000.00

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the issue of Shares pursuant to the Share Offer and the Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will rank pari passu in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with an aggregate number of not more than the sum of:

(1) 20% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding any Share which may fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme); and

(2) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or any options which may be granted under the Share Option Scheme.

This general mandate to issue Shares will remain in effect until the earliest of:

(i) the conclusion of our Company's next annual general meeting; or

(ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "A. Further information about our Group — 3. Resolutions in writing of our Shareholders passed on 25 July 2018" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase an aggregate number of Shares of not more than 10% of the total number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules and all applicable laws. A summary of the relevant Listing Rules is set out in the section headed "A. Further information about our Group — 6. Repurchase of the Shares by our Company" in Appendix IV to this prospectus.

This general mandate to repurchase Shares will remain in effect until the earliest of:

(i) the conclusion of our Company's next annual general meeting; or

(ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "A. Further information about our Group — 3. Resolutions in writing of our Shareholders passed on 25 July 2018" in Appendix IV to this prospectus.

SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders dated 25 July 2018, we have conditionally adopted the Share Option Scheme. Further details of the terms of the Share Option Scheme are summarised in the section headed "D. Other information — 1. Share Option Scheme" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks pari passu with the other shares.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary shareholders' resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its 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 Companies Law, reduce its share capital by shareholders' special resolution. For more details, please see the section headed "2. Articles of Association — (iii) Alteration of capital" in Appendix III to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to the Share or any class of Shares may 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. For more details, please see the section headed "2. Articles of Association — (ii) Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus.

The following discussion and analysis of our Group's financial condition and results of operations should be read in conjunction with our consolidated financial information as of and for each of the three years ended 31 December 2017 and the four months ended 30 April 2018 together with the accompanying notes as set out in the Accountant's Report in Appendix I to this prospectus. The financial statements have been prepared in accordance with HKFRS. The following discussion contains forward-looking statements that involve risks and uncertainties. However, whether our actual results and developments will meet our expectations and projection depend on a number of risks and uncertainties over which our Group does not have control. For further information regarding the factors that could cause or contribute to such differences, you should refer to "Risk Factors" and "Business" in this prospectus.

OVERVIEW

We are an established EMS provider in the PRC offering integrated manufacturing services which include provision of design enhancement and verification, offering of technical advice and engineering solutions, raw materials selection and procurement, quality control, logistic and delivery and after-sale services to our customers in respect of our assembling and production of PCBAs and fully-assembled electronic products.

Our products comprise PCBAs and fully-assembled electronic products that are primarily embedded with our PCBA produced in-house. PCBAs are produced by assembling, populating and soldering of electronic components onto a bare PCB (which is used as an electronic circuit interconnecting medium and a mechanical mounting substrate) to form and produce a functional PCBA. Our PCBAs are either sold as stand-alone products or assembled with other product parts and casing (both plastic and metal) and packaging materials to form a fully-assembled electronic products under the brands of our customers or the brands of their ultimate customers. Our PCBAs are currently mainly applied for production of electronic products that are used in the banking and finance, telecommunication and smart devices industries. Our fully-assembled electronic products that are embedded primarily with our PCBAs mainly include digital projectors, mPOS, mobile phones and photovoltaic inverters.

During the Track Record Period, our customers mainly include manufacturers of electronic products, brand owners, OEMs and trading companies of electronic products such as mobile phones and mPOS which are mainly located in the Guangdong Province and Wuhan city of Hubei Province, the PRC. Most of our customers are in the PRC with a few customers based mainly in Hong Kong, United States and Mexico. For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, we recorded revenue of approximately RMB182.9 million, RMB267.9 million, RMB370.2 million and RMB181.2 million, respectively, and profit attributable to owners of our Company of approximately RMB14.0 million, RMB22.1 million, RMB28.5 million and RMB13.9 million, respectively. Going forward, we will continue to achieve sustainable growth in our current business and strengthen our production capacity to secure more business opportunities.

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospect since 30 April 2018, being the date to which our latest audited financial information was prepared, and there is no event which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report set out in Appendix I to this prospectus. Further details of our Group's indebtedness position have been set out under "Indebtedness" in this section.

For further information about our business and operations, please refer to the "Business" section in this prospectus.

BASIS OF PRESENTATION

The companies now comprising our Group, engaging in the businesses of EMS and trading of electronic products (the "**Listing Business**"), were controlled by the same ultimate controlling party immediately before and after the Reorganisation with no change in their business substance or management. Accordingly, the Reorganisation is regarded as a business combination under common control, the financial information included in the Accountant's Report set forth in Appendix I to this prospectus has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

The financial information has been prepared by including the financial information of the companies now comprising the Group engaged in the Listing Business, as if the current group structure had been in existence throughout the years presented.

The net assets of the combining companies were combined using the existing book values before the Reorganisation. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

Inter-company transactions, balances and unrealised gains/losses on transactions between companies of our Group are eliminated on consolidation.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition of our Group have been and will continue to be, affected by a number of factors, including those set out below and in the section headed "Risk Factors" in this prospectus.

Change in market demand of our customers

Our Group's revenue is dependent on the orders from our customers. Demand from our customers may change from time to time due to various reasons, for instance, if the prices of our products are not as competitive as those set by our competitors for comparable products or if the quality of our products does not meet our customers' expectations or requirements, our customers may reduce their purchase volume or may not make purchases from us. Since we are not their exclusive supplier, there is no assurance that our existing customers will continue to purchase our products at current level or at all in the future. In these circumstances, our results of operations and financial performance may be affected.

Our relationship with Customer B

During the Track Record Period, Customer B, a company listed on ChiNext Board and is engaged in the research, development, production and distribution of various kinds of smart cards, payment-related terminals and related application systems, was our second largest customer for the year ended 31 December 2015 and our largest customer for each of the two years ended 31 December 2016 and 2017 and the four months ended 30 April 2018, with the revenue generated from the sales to Customer B amounted to approximately 17.0%, 41.1%, 44.9% and 61.3% of our total revenue, respectively. Consequently, changes in relationship with Customer B may materially affect our results of operation and financial condition.

Composition of our product

Our PCBAs are either sold as stand-alone products or assembled with other product parts and casing (both plastic and metal) and packaging materials to form a fully-assembled electronic product under the brands of our customers or the brands of their ultimate customers. Our PCBAs are currently mainly applied for production of electronic products that are used in the banking and finance, telecommunication and smart devices industries. Our fully-assembled electronic products that are embedded primarily with our PCBAs mainly include digital projectors, mPOS, mobile phones and photovoltaic inverters. For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, the amount of revenue generated from payment-related terminals for banking and finance sectors (including banking and finance PCBAs and mPOS) was approximately RMB52.8 million, RMB160.9 million, RMB264.3 million and RMB131.3 million respectively, representing approximately 28.9%, 60.1%, 71.4% and 72.5% of our total revenue respectively. Such a change in demand may be driven by a number of factors, including but not limited to customers' preferences, customer base, market conditions and industry environment. Our results of operations may vary significantly from period to period as a result of changes in the composition of our sales in the future.

Production costs

The raw materials we use for the provision of assembly services can generally be divided into (i) electronic components and ancillary materials (including PCBs, semiconductors, ICs, magnetic heads and other consumables); and (ii) casing (plastic and metal parts), packaging materials, LCD screens and consumables. Cost of raw materials used is one of the major components in our cost of sales. For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, the cost of raw materials used amounted to RMB73.8 million, RMB166.0 million, RMB239.4 million and RMB128.0 million, respectively, representing 49.7%, 75.4%, 77.3% and 83.5% of our total costs of sales respectively. As such, any significant fluctuation in the price of raw materials may have a significant impact on our Group's profitability.

Since the raw materials accounted for the largest portion of our Group's cost of sales during the Track Record Period, a sensitivity analysis on the fluctuation in raw material costs during the Track Record Period is set out below to illustrate the impact of hypothetical fluctuations in purchase price of raw materials on our profit before tax for the Track Record Period, assuming all other variables remained constant. According to the Frost & Sullivan Report, the price of our key raw materials, ICs, recorded at a growth rate ranging from approximately -5.8% to 9.0% during the period between 2013 and 2017. For the sake of prudence, our Group adopted hypothetical fluctuations of 5.0%, 10.0% and 15.0% in performing the sensitivity analysis below:

Hypothetical fluctuations	**+/-5%**	**+/-10%**	**+/-15%**
	RMB'000	*RMB'000*	*RMB'000*
Decrease/increase in profit before income tax			
Year ended 31 December 2015	-/+3,689	-/+7,378	-/+11,067
Year ended 31 December 2016	-/+8,302	-/+16,604	-/+24,905
Year ended 31 December 2017	-/+11,972	-/+23,945	-/+35,917
Four months ended 30 April 2018	-/+6,402	-/+12,804	-/+19,206

To effectively control the cost of raw materials and mitigate the effect of price fluctuation of raw materials on our profitability, we maintain a good relationship with a group of qualified suppliers and procure raw materials from geographically-diversified sources. The price and availability of raw materials may vary from period to period due to factors such as consumer demand and market conditions. However, we cannot completely avoid fluctuation in the prices of raw materials and are exposed to market risk of raw material price fluctuation. We do not have any hedging policy against any risk of fluctuation in the raw material costs. Any increase in our cost of raw materials would negatively impact our gross profit margin if we are unable to pass on the increased cost to our customers by increasing the selling price of our products on time or at all.

Production capacity

Our ability to maintain our profitability depends partly on our ability to maintain a high utilisation rate of our production machinery and equipment in our Shenzhen Production Plant. The level of the utilisation rate of our production machinery and equipment can impact our operating results as a certain percentage of our costs of sales such as direct labour and production overhead are fixed in nature. Increasing production capacity and maintaining a high utilisation rate are essential to reduce our per unit cost of production and maintaining our competitiveness. Hence, if we are unable to continuously maintain a high utilisation of our production machinery and equipment, our profit margin would be adversely affected. During the Track Record Period, the utilisation rate of our SMT assembly lines was approximately 90.2%, 90.0%, 91.0% and 92.6% respectively. For more details, please refer to the section headed "Business — Production facilities and utilisation" in this prospectus.

Our results of operations are directly affected by our sales volume, which in turn is a function of our production capacity and market demand. Growth in our revenue and the diversification of our product mix, depends to a large extent on our ability to expand our production capacity and manage our production planning. We aim to maintain and increase our production capacity and efficiency by way of increasing the level of automation in our production lines to seize market opportunities. Details of our future plans are set forth in the section headed "Future Plans and Use of Proceeds" in this prospectus.

Taxation

As a result of our research and development capabilities, initiatives and achievements, in 2016, Shenzhen Hengchang Sheng has been granted the status of "High and New Technology Enterprise* (高新技術企業)" by the relevant PRC governmental authorities and, according to the applicable PRC laws and regulations, has since been entitled to a preferential EIT rate of 15%. Under the relevant PRC laws and regulations, the 15% reduced EIT rate is subject to review and approval by the tax authorities. The current status of Shenzhen Hengchang Sheng as High and New Technology Enterprise and its entitlement to the reduced EIT rate will expire in 2018. If Shenzhen Hengchang Sheng cannot continue to enjoy such preferential treatment upon the expiry of the existing preferential tax treatments, our profitability and financial performance will be negatively affected.

SIGNIFICANT ACCOUNTING POLICIES

A summary of our significant accounting policies is set forth in Note 2 to the Accountant's Report in Appendix I to this prospectus. Critical accounting policies are those that require our management to exercise judgement in applying assumptions and making estimates that would yield materially different results if our management applied different assumptions or made different estimates. Estimates and judgements are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. We believe the following critical accounting policies involve the most significant judgements in the preparation of our consolidated financial statements.

Revenue Recognition

Sales of goods

Sales of goods transferred at a point in time are recognised when control of the goods has transferred, being when our Group has delivered the products to the customers and the customers have accepted the products. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Properties, plant and equipment

Properties, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to our Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of properties, plant and equipment is calculated using the straight-line method to allocate their costs, net of their residual value, over their estimated useful lives, as follows:

Buildings	20 years
Furniture and fixtures	5 years
Office equipment	3 to 5 years
Plant and machinery	3 to 10 years
Motor vehicles	3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain or loss on disposal are determined by comparing proceeds with carrying amount and are recognised in profit or loss.

Financial assets

For the years ended 31 December 2015, 2016 and 2017

Our Group classifies its financial assets as financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Our Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. held for trading. They are presented as current assets if they are expected to be sold within twelve months after the end of the reporting period; otherwise they are presented as non-current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Our Group's loans and receivables comprise trade and other receivables and cash and cash equivalents.

For the period ended 30 April 2018

Our Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss) and;

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether our Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Our Group reclassifies debt investments when and only when its business model for managing those assets changes.

RESULTS OF OPERATIONS

The consolidated income statements and the consolidated statements of comprehensive income during the Track Record Period are summarised below, which have been extracted from the Accountant's Report set out in Appendix I to this prospectus. As such, the following sections should be read in conjunction with the Accountant's Report set out in Appendix I to this prospectus.

	For the year ended 31 December			For the four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue	182,925	267,890	370,162	134,351	181,174
Cost of sales	(148,334)	(220,360)	(309,824)	(112,643)	(153,326)
Gross profit	34,591	47,530	60,338	21,708	27,848
Other income	93	694	828	—	1,626
Other (losses)/gains, net	(132)	(983)	1,223	81	265
Selling and distribution expenses	(3,673)	(6,687)	(9,534)	(2,747)	(3,853)
Administrative expenses	(10,327)	(12,795)	(18,404)	(7,719)	(8,667)
Operating profit	20,552	27,759	34,451	11,323	17,219
Finance income	24	32	99	16	22
Finance costs	(1,982)	(1,098)	(800)	(287)	(224)
Finance costs, net	(1,958)	(1,066)	(701)	(271)	(202)
Profit before income tax	18,594	26,693	33,750	11,052	17,017
Income tax expense	(4,602)	(4,612)	(5,239)	(2,281)	(3,083)
Profit for the year/period	13,992	22,081	28,511	8,771	13,934
Other comprehensive losses:					
Items that may be subsequently reclassified to profit or loss					
Currency translation differences	(125)	(10)	(250)	12	(272)
Total comprehensive income for the year/period	13,867	22,071	28,261	8,783	13,662
Total comprehensive income attributable to:					
Owners of our Company	13,867	22,071	28,261	8,783	13,662

KEY COMPONENTS OF OUR CONSOLIDATED INCOME STATEMENTS AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

During the Track Record Period, our revenue was generated by our two principal product types, namely, PCBAs and fully-assembled electronic products. Each of the PCBAs and fully-assembled electronic products were divided into several product categories by their natures and usages. For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, our revenue amounted to approximately RMB182.9 million, RMB267.9 million, RMB370.2 million and RMB181.2 million respectively. In general, the growth of our revenue during the three years ended 31 December 2017 was mainly attributable to our provision of more value-added services, such as raw materials selection and procurement services, to our customers and the change in product mix with higher sales value in which the average unit price of the PCBAs increased from a range of approximately RMB2.7-RMB55.5 for the year ended 31 December 2015 to approximately RMB5.2-RMB85.4 for the year ended 31 December 2017 and the average selling unit of the fully-assembled electronic products increased from a range of approximately RMB15.2-RMB50.8 for the year ended 31 December 2015 to approximately RMB32.3-RMB600.1 for the year ended 31 December 2017. For the four months ended 30 April 2018, our Group's revenue recorded an increase of approximately 34.9% as compared to the four months ended 30 April 2017. The increase was mainly contributed by higher demand from Customer B for our mPOS during the four months ended 30 April 2018 in response to the increasing trend towards cashless payments in the PRC and the increasing sales orders for the tablets from an overseas customer, Customer I. For further details of our revenue contributed by product types, please see below for details.

By product type

The following table set forth our revenue by our two principal product types in absolute amount and as percentages of our revenue for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2015		2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*Unaudited*)	*%*	*RMB'000*	*%*
PCBAs *(Note 1)*										
Banking and finance	19,221	10.5	50,657	18.9	62,084	16.7	20,365	15.2	14,198	7.8
Smart device	5,530	3.0	16,289	6.1	42,547	11.5	6,876	5.1	13,669	7.6
Telecommunication	53,612	29.3	24,247	9.1	12,844	3.5	2,285	1.7	6,542	3.6
Others *(Note 2)*	660	0.4	667	0.2	694	0.2	164	0.1	189	0.1
Subtotal	79,023	43.2	91,860	34.3	118,169	31.9	29,690	22.1	34,598	19.1
Fully-assembled electronic products *(Note 3)*										
mPOS	33,615	18.4	110,283	41.2	202,177	54.6	90,239	67.2	117,092	64.6
Tablets	—	—	—	—	12,185	3.3	6,247	4.6	21,054	11.6
Mobile phones	62,548	34.2	50,973	19.0	8,307	2.3	3,377	2.5	2,134	1.2
Digital projectors	5,586	3.0	6,432	2.4	3,478	0.9	825	0.6	1,970	1.1
Photovoltaic inverters	919	0.5	3,311	1.2	487	0.1	143	0.1	179	0.1
Others *(Note 4)*	1,234	0.7	5,031	1.9	25,359	6.9	3,830	2.9	4,147	2.3
Subtotal	103,902	56.8	176,030	65.7	251,993	68.1	104,661	77.9	146,576	80.9
Total	182,925	100.0	267,890	100.0	370,162	100.0	134,351	100.0	181,174	100.0

Note:

(1) These PCBAs are sold as stand-alone products to our customers for their onward production of various kinds of electronic products in the industries set out below.

(2) Others mainly includes PCBAs for medical devices.

(3) The PCBAs embedded in these fully-assembled electronic products are primarily manufactured by us with a small portion being manufactured and supplied by our suppliers based on our requirements and specifications.

(4) Others mainly include signal amplifiers, remote controllers for home applicances and street light controllers.

PCBAs

The growth in our revenue from sales of PCBAs for banking and finance for the three years ended 31 December 2017 was primarily due to deepening customer relationship with customers engaged in banking and finance industry, especially Customer D, that has resulted to an increase in orders for our PCBAs. However, our Group recorded a decrease in revenue derived from sales of PCBAs for banking and finance from approximately RMB20.4 million for the four months ended 30 April 2017 to approximately RMB14.2 million for the four months ended 30 April 2018. Since Customer D will be launching a new generation of one of its ATM products, it resulted in a decrease in order size for the PCBAs applied in its old generation ATM products during the four months ended 30 April 2018. Subsequent to the Track Record Period, we received purchase order from Customer D to assemble PCBAs for embedding in its new generation ATM products in June 2018.

The increase in our revenue derived from sales of PCBAs for smart device from approximately RMB5.5 million for the year ended 31 December 2015 to approximately RMB42.5 million for the year ended 31 December 2017 was primarily due to (i) our increase focus on targeting markets with growth potential, including the smart device market and (ii) the release of new products by our customers in the smart device industry that utilised our sweeping robot mainboards and inductors in the sweeping robot and the IOT modules in the smart devices. Our Group recorded an increase in revenue derived from sales of PCBAs for smart device from approximately RMB6.9 million for the four months ended 30 April 2017 to approximately RMB13.7 million for the four months ended 30 April 2018, contributed by the increase in order demand from Customer J to accommodate its organic business growth during the four months ended 30 April 2018.

Decreases in revenue generated from the PCBAs for telecommunication for the three years ended 31 December 2017 were primarily due to the maturity of product portfolio offered by brand companies that utilised our telecommunication modules applied to mobile phones and the shift of our product mix towards certain products with better margins, as compared with PCBAs for telecommunication, given the increased competition of the mobile phones market that has resulted in a decrease in profit margin of the mobile phones products. Our Group recorded an increase in revenue derived from sales of PCBAs for telecommunication from approximately RMB2.3 million for the four months ended 30 April 2017 to approximately RMB6.5 million for the four months ended 30 April 2018, contributed by our effort put into expanding client base. Such increase was attributable to the sales orders received from a customer which engaged in the production of communication terminals, for our PCBAs for telecommunication.

Fully-assembled electronic products

During the three years ended 31 December 2017, our revenue derived from sales of mPOS increased from approximately RMB33.6 million for the year ended 31 December 2015 to approximately RMB110.3 million for the year ended 31 December 2016 and further increased to approximately RMB202.2 million for the year ended 31 December 2017, which accounted for approximately 18.4%, 41.2% and 54.6%, respectively, of our total revenue for the respective period. Our Group was capable to retain the revenue growth during the four months ended 30 April 2018. Our Group's revenue derived from sales of mPOS increased from approximately RMB90.2 million for the four months ended 30 April 2017 to approximately RMB117.1 million for the four months ended 30 April 2018, which accounted for approximately 67.2% and 64.6% of our total revenue for the respective period. The growth was primarily attributable to an increase in purchase orders of the mPOS triggered by the increasing trend towards cashless payments in the PRC. In addition, the growth of our revenue derived from fully-assembled electronic products for the four months ended 30 April 2018 was also attributable to the increasing sales orders of tablets from an overseas customer, Customer I.

The continuous decrease in our revenue generated from mobile phones during the Track Record Period was primarily due to the change in our Group's product mix towards certain products with better margins such as the mPOS products given the increased competition of the mobile phones market that has resulted in a decrease in profit margin of the mobile phones products.

By geographical location

The following table sets forth our revenue by geographical location of our customers for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2015		**2016**		**2017**		**2017**		**2018**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
The PRC	145,676	79.6	219,183	81.8	333,650	90.1	121,827	90.7	155,069	85.6
Mexico	—	—	—	—	16,502	4.5	6,246	4.6	21,054	11.6
United States	6,340	3.5	37,488	14.0	6,828	1.8	4,658	3.4	2,040	1.1
Hong Kong	8,962	4.9	3,898	1.5	38	0.1	38	0.1	—	—
Others *(Note)*	21,947	12.0	7,321	2.7	13,144	3.5	1,582	1.2	3,011	1.7
Total	182,925	100.0	267,890	100.0	370,162	100.0	134,351	100.0	181,174	100.0

Note: Others mainly include South Korea, Spain, Austria and Taiwan and each of such regions accounted for a nominal percentage of our total revenue ranging from approximately nil to 12.0%, nil to 2.7%, nil to 2.8% and nil to 1.0% for each of the three years ended 31 December 2017 and the four months ended 30 April 2018, respectively.

For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, the revenue generated from the PRC accounted for approximately RMB145.7 million, RMB219.2 million, RMB333.7 million and RMB155.1 million respectively, which accounted for approximately 79.6%, 81.8%, 90.1% and 85.6% of our total revenue for the corresponding periods, respectively. The fluctuation in revenue derived from overseas market was mainly due to the fluctuation in sales of mobile phones and tablets during the three years ended 31 December 2017 and the four months ended 30 April 2018. For the year ended 31 December 2015, our overseas sales were mainly derived from Customer C, a Spanish company, for the sales of mobile phones. Our Group experienced an increase in sales in U.S. for the year ended 31 December 2016 which was mainly derived from sales to Customer F, a U.S. company, for the mobile phones. For the year ended 31 December 2017 and the four months ended 30 April 2018, our overseas sales were mainly derived from sales of tablets to a Mexican customer. The increase in our sales in the PRC as a percentage of our revenue for the three years ended 31 December 2017 was mainly due to the change in our Group's product mix towards certain products with better margins such as the mPOS products for Customer B in the PRC given the increased competition of the mobile phones market that has resulted in a decrease in profit margin of the mobile phones products.

Cost of sales

Cost of sales represents costs and expenses directly attributable to our revenue generating activities. For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, our cost of sales were approximately RMB148.3 million, RMB220.4 million, RMB309.8 million and RMB153.3 million respectively, representing approximately 81.1%, 82.3%, 83.7% and 84.6% of our total revenue, respectively.

Our cost of raw materials used accounted for the largest part of our cost of sales during the Track Record Period which accounted for approximately 49.7%, 75.4%, 77.3% and 83.5% of our total cost of sales respectively. Set out below is a breakdown of the cost of sales by nature of expense for the periods indicated:

		For the year ended 31 December						**For the four months ended 30 April**			
		2015		**2016**		**2017**		**2017**		**2018**	
		RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
								(Unaudited)			
Cost of sales											
Cost of raw materials used	(i)	73,782	49.7	166,036	75.4	239,449	77.3	86,512	76.8	128,042	83.5
Direct labour	(ii)	48,427	32.6	34,781	15.8	22,026	7.1	8,642	7.7	6,291	4.1
Factory overhead	(iii)	25,896	17.5	18,576	8.4	47,277	15.3	17,012	15.1	18,843	12.3
Provision for inventories	(iv)	229	0.2	967	0.4	1,072	0.3	477	0.4	150	0.1
Total		148,334	100.0	220,360	100.0	309,824	100.0	112,643	100.0	153,326	100.0

(i) Cost of raw materials used

Our major raw materials can generally be divided into (i) electronic components and ancillary materials (including PCBs, semiconductors, ICs, and magnetic heads); (ii) casing (plastic and metal parts), packaging materials, LCD screens and consumables; and (iii) full-assembled mobile phone and tablets. Our raw material costs increased during the Track Record Period primarily due to the increase in purchase, which was in line with the growth in our Group's revenue and cost of raw materials used as a percentage of our total cost of sales increased from approximately 49.7% for the year ended 31 December 2015 to approximately 75.4% for the year ended 31 December 2016, to approximately 77.3% for the year ended 31 December 2017 and further to approximately 83.5% for the four months ended 30 April 2018. The cost of raw materials used accounted for a higher percentage of our total cost of sales for the year ended 31 December 2016 as compared to that for the year ended 31 December 2015, primarily due to an increase in the purchase of raw materials as more customers required us to provide raw materials selection and procurement services in addition to our assembly services during the year ended 31 December 2016.

(ii) Direct labour

Direct labour costs included wages, social insurance contribution and staff welfare cost for personnel (including our employees and dispatched staff engaged by our Group) directly involved in our production activities. Since the outsourcing of part of our EMS for mobile phones for the year ended 31 December 2016, our Group reduced two SMT assembly lines and number of headcounts (including our employees and dispatched staff engaged by our Group) for the SMT production. For the year ended 31 December 2017, in view of the increasing labour cost and to reduce the number of dispatched staff to rectify the non-compliance incident of the Interim Provisions on Labour Dispatch* (勞務派遣暫行規定), we outsourced part of our assembly process to other third-party assembly services provider while we provided raw materials, technical support and onsite supervising personnel to monitor the production schedule and product quality. As such, our direct labour cost as a percentage of our cost of sales decreased from approximately 32.6% for the year ended 31 December 2015 to approximately 7.1% for the year ended 31 December 2017 and further decreased to approximately 4.1% for the four months ended 30 April 2018.

(iii) Factory overhead

Factory overhead cost primarily included depreciation of properties, plant and equipment, consumption of supplies, rental expenses of machineries and production plant, utilities for electricity and water, business tax and surcharges as well as subcontracting charges. The decrease in factory overhead cost for the year ended 31 December 2016 was mainly due to the decrease in depreciation expenses as certain of our Group's production equipment had been fully depreciated, the decrease in rental expenses for machineries given part of the production of our mobile phones was outsourced and the decrease in utilities for electricity and water resulted from reduction of two SMT assembly lines during the year ended 31 December 2016.

For the year ended 31 December 2017, our factory overhead cost increased which was mainly due to the increase in subcontracting charges arising from the subcontracting part of our full electronic product assembly to Independent Third Party subcontractors. In view of the high utilisation rate of our SMT assembly lines and the increase in our sales orders during the year ended 31 December 2017 and the four months ended 30 April 2018, we incurred more rental costs for renting additional machineries from external machinery and equipment service providers to cater for our production need.

The following table sets out the breakdown of factory overhead by nature of expenses for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2015		**2016**		**2017**		**2017**		**2018**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*Unaudited*)	*%*	*RMB'000*	*%*
Depreciation and amortisation	8,237	31.8	4,370	23.5	2,030	4.3	730	4.3	623	3.3
Consumption of consumables	3,171	12.2	5,471	29.5	3,464	7.3	1,369	8.0	890	4.7
Utilities	3,747	14.5	2,862	15.4	2,927	6.2	736	4.3	788	4.2
Operating lease rental in respect of production plant and warehouses	1,588	6.1	1,702	9.2	1,709	3.6	561	3.3	565	3.0
Operating lease rentals in respect of machineries	4,223	16.3	1,476	7.9	8,658	18.3	309	1.8	3,284	17.4
Subcontracting charges	2,527	9.8	600	3.2	22,950	48.5	10,360	60.9	10,348	54.9
Repair and maintenance of properties, plant and equipment	874	3.4	122	0.7	281	0.6	70	0.4	387	2.1
Product development cost	—	—	447	2.4	2,531	5.4	2,172	12.8	1,553	8.3
Other tax and surcharges	1,227	4.7	1,376	7.4	2,079	4.4	598	3.5	234	1.2
Others	302	1.2	150	0.8	648	1.4	107	0.7	171	0.9
Total	25,896	100.0	18,576	100.0	47,277	100.0	17,012	100.0	18,843	100.0

(iv) Provision for inventories

Provision for inventories represented provision for obsolete inventories. For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, our inventories provision was approximately RMB0.2 million, RMB1.0 million, RMB1.1 million and RMB0.2 million respectively, which was generally stable and accounted for approximately 0.2%, 0.4%, 0.3% and 0.1% of our total cost of sales, respectively.

Gross profit and gross profit margin

During the Track Record Period, we generated gross profits of approximately RMB34.6 million, RMB47.5 million, RMB60.3 million and RMB27.8 million, respectively, representing gross profit margins of approximately 18.9%, 17.7%, 16.3% and 15.4% respectively.

The table below sets forth a breakdown of gross profit and gross profit margin by product categories for the periods indicated:

	For the year ended 31 December						For the four months ended 30 April			
	2015		2016		2017		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
***PCBAs** (Note 1)*										
Banking and finance	4,504	23.4	9,731	19.2	10,689	17.2	3,507	17.2	2,432	17.1
Smart device	1,123	20.3	3,255	20.0	7,530	17.7	1,192	17.3	2,322	17.0
Telecommunication	9,895	18.5	4,836	19.9	2,218	17.3	394	17.2	1,113	17.0
Others *(Note 2)*	532	80.6	400	60.0	134	19.3	31	18.9	37	19.6
Subtotal	16,054	20.3	18,222	19.8	20,571	17.4	5,124	17.3	5,904	17.1
***Fully-assembled electronic products** (Note 3)*										
mPOS	6,139	18.3	20,346	18.4	34,926	17.3	15,139	16.8	18,894	16.1
Tablets	—	—	—	—	1,224	10.0	623	10.0	2,113	10.0
Mobile phones	10,643	17.0	5,738	11.3	822	9.9	319	9.4	196	9.2
Digital projectors	1,246	22.3	1,446	22.5	601	17.3	143	17.3	346	17.6
Photovoltaic inverters	242	26.3	873	26.4	95	19.5	28	19.6	34	19.0
Others *(Note 4)*	267	21.6	905	18.0	2,099	8.3	332	8.7	361	8.7
Subtotal	18,537	17.8	29,308	16.6	39,767	15.8	16,584	15.8	21,944	15.0
Total	34,591	18.9	47,530	17.7	60,338	16.3	21,708	16.2	27,848	15.4

Notes:

(1) These PCBAs are sold as stand-alone products to our customers for their onward production of various kinds of electronic products in the industries set out below.

(2) Others mainly includes PCBAs for medical devices.

(3) The PCBAs embedded in these fully-assembled electronic products are primarily manufactured by us with a small portion being manufactured and supplied by our suppliers based on our requirements and specifications.

(4) Others mainly include signal amplifiers, remote controllers for home applicances and street light controllers.

Gross profit contribution from mPOS had been increasing during the Track Record Period which accounted for approximately 17.7%, 42.8%, 57.9% and 67.8% of our gross profit for each of the three years ended 31 December 2017 and the four months ended 30 April 2018, respectively. Such increase was contributed by the increase in demand of mPOS triggered by the trend towards cashless payments in the PRC.

Our Group's operating results are affected by our product mix as gross profit margin varies among different products. The decrease in the gross profit margins during the Track Record Period is mainly attributable to the increased competition of the mobile phones market that has resulted in a decrease in profit margin of the mobile phones products from approximately 17.0% for the year ended 31 December 2015 to approximately 9.9% for the year ended 31 December 2017 and further decreased to approximately 9.2% for the four months ended 30 April 2018. In view of the decreasing gross profit margin of the mobile phones products, we refined the proportion in our product mix in which the mobile phones products reduced from approximately 34.2% of our total revenue for the year ended 31 December 2015 to approximately 2.3% of our total revenue for the year ended 31 December 2017 and further reduced to approximately 1.2% of our total revenue for the four months ended 30 April 2018.

In view of the increasing trend in the demand for mPOS, we offered a more competitive price than that of 2015 and 2016. As such, the gross profit margin of mPOS decreased from approximately 18.3% for the year ended 31 December 2016 to approximately 17.3% for the year ended 31 December 2017 and further decreased to approximately 16.1% for the four months ended 30 April 2018.

Other income

Other income mainly represented government grants and dividend income on financial assets at fair value through profit or loss. We received financial subsidies granted by the local government to support local business enterprises for business development.

Other (losses)/gains, net

Other gains or losses mainly comprised net realised and unrealised gains or losses on financial assets at fair value through profit or loss, gain/(loss) on disposal of properties, plant and equipment and exchange differences.

Selling and distribution expenses

For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, we recorded selling and distribution expenses of approximately RMB3.7 million, RMB6.7 million, RMB9.5 million and RMB3.9 million, respectively, representing approximately 2.0%, 2.5%, 2.6% and 2.1% of our revenue for the corresponding periods. Selling and distribution expenses mainly comprised (i) employee benefit expenses; (ii) transportation charges; (iii) sales commission paid to our sales agent in respect of customer introduction; and (iv) other expenses.

The table below is an analysis of the major components of our selling and distribution expenses during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2015		2016		2017		2017		2018	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Selling and distribution expenses										
Employee benefit expenses	1,064	28.9	3,320	49.6	4,815	50.5	1,539	56.0	1,697	44.0
Transportation costs	873	23.8	1,633	24.4	2,114	22.2	543	19.8	1,448	37.6
Commission expenses	852	23.2	801	12.0	1,381	14.5	390	14.2	200	5.2
Other expenses	884	24.1	933	14.0	1,224	12.8	275	10.0	508	13.2
Total	3,673	100.0	6,687	100.0	9,534	100.0	2,747	100.0	3,853	100.0

The employee benefit expenses accounted for the largest portion of our selling and distribution expenses during the Track Record Period, which mainly include salaries and allowance, social insurance contributions and staff welfare expenses of our sales and marketing staff. It represented approximately 28.9%, 49.6%, 50.5% and 44.0% of our selling and distribution expenses for each of the three years ended 31 December 2017 and the four months ended 30 April 2018, respectively. The increase in employee benefit expenses for the year ended 31 December 2016 as compared to that for the year ended 31 December 2015 was mainly due to an increase in year-end discretionary bonus of approximately RMB1.7 million to sales staff and increase in salaries resulted from increase in sales and marketing staff during the year ended 31 December 2016. The employee benefit expenses for the year ended 31 December 2017 further increased to approximately RMB4.8 million which was mainly due to increase in the number and basic salary of our sales and marketing staff during the year ended 31 December 2017. The employee benefit expenses increased to approximately RMB1.7 million for the four months ended 30 April 2018 from approximately RMB1.5 million for the four months ended 30 April 2017, which was mainly due to the increase in basic salary of our sales and marketing staff during the four months ended 30 April 2018.

During the Track Record Period, transportation costs represented expenses incurred for delivery of our products to our customers by our own motor vehicles or by independent third-party logistics service providers. Transportation costs increased from approximately RMB0.9 million for the year ended 31 December 2015 to approximately RMB2.1 million for the year ended 31 December 2017 and the transportation costs increased from approximately RMB0.5 million for the four months ended 30 April 2017 to approximately RMB1.4 million for the four months ended 30 April 2018. The increase in transportation costs is in line with the increase in revenue over the three years ended 31 December 2017 and the four months ended 30 April 2018.

Commission expenses represent sales commission paid to independent third-party sales agent for the customers they referred. During the Track Record Period, we employed more staff in the sales and marketing department for sourcing new business. As such, the proportion of commission expenses to our total selling and distribution expenses was decreased from approximately 23.2% for the year ended 31 December 2015 to approximately 14.5% for the year ended 31 December 2017 and further decreased to approximately 5.2% for the four months ended 30 April 2018.

Other expenses mainly comprised advertising expenses, entertainment expenses and service fee to independent third-party service companies regarding the provision of custom duty declaration and clearance service.

Administrative expenses

For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, we recorded administrative expenses of approximately RMB10.3 million, RMB12.8 million, RMB18.4 million and RMB8.7 million, respectively, representing approximately 5.6%, 4.8%, 5.0% and 4.8% of our revenue, respectively.

The table below is an analysis of the major components of our administrative expenses during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2015		**2016**		**2017**		**2017**		**2018**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Administrative expenses										
Employee benefit expenses	6,879	66.6	9,367	73.2	8,139	44.2	2,512	32.5	2,465	28.4
Listing expenses	—	—	—	—	5,642	30.7	3,600	46.6	4,280	49.4
Professional fee	136	1.3	234	1.9	221	1.2	19	0.3	616	7.1
Operating lease payments	1,121	10.9	910	7.1	991	5.4	328	4.3	431	5.0
Depreciation and amortisation	471	4.6	462	3.6	546	3.0	160	2.1	183	2.1
Office expenses	414	4.0	360	2.8	337	1.8	122	1.6	161	1.9
Utilities	447	4.3	307	2.4	299	1.6	72	0.9	43	0.5
Other expenses	859	8.3	1,155	9.0	2,229	12.1	906	11.7	488	5.6
Total	10,327	100.0	12,795	100.0	18,404	100.0	7,719	100.0	8,667	100.0

During the Track Record Period, employee benefit expenses included salaries and allowance, social insurance contributions and staff welfare expenses of our administrative staff, accounting for the largest portion for each of the three years ended 31 December 2017 and the second largest portion for the four months ended 30 April 2018 of our administrative expenses. It represented approximately 66.6%, 73.2%, 44.2% and 28.4% of our administrative expenses for each of the three years ended 31 December 2017 and the four months ended 30 April 2018, respectively. Employee benefit expenses increased from approximately RMB6.9 million for the year ended 31 December 2015 to approximately RMB9.4 million for the year ended 31 December 2016 was primarily due to an increase in discretionary bonus of approximately RMB1.1 million to administrative staff for the year ended 31 December 2016 and increase in number of dispatched staff engaged by our Group to provide the function of procurement and inventory in view of more customers required us to provide raw materials selection and procurement services during the year ended 31 December 2016. The employee benefit expenses for the year ended 31 December 2017 decreased to approximately RMB8.1 million which was mainly due to decrease in number of dispatched staff engaged by our Group during the year ended 31 December 2017.

Our Group also incurred operating lease payments in relation to the rental expenses for our office which accounted for approximately 10.9%, 7.1%, 5.4% and 5.0% of our administrative expenses for each of the three years ended 31 December 2017 and the four months ended 30 April 2018, respectively. The operating lease payments decreased from approximately RMB1.1 million for the year ended 31 December 2015 to approximately RMB0.9 million for the year ended 31 December 2016 as our operating lease payment of one of our offices located in Shenzhen, the PRC only incurred for the nine months during the year ended 31 December 2016 and the reform of the PRC tax system of replacing business tax (as tax included in the rental) with value-added tax (as tax excluded in rental) applicable to leasing of properties with effective from to since 1 May 2016.

Other expenses mainly comprised office expenses, insurance, travelling expenses, postage and courier expenses.

Finance costs, net

For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, we incurred net finance costs of approximately RMB2.0 million, RMB1.1 million, RMB0.7 million and RMB0.2 million, respectively. Our finance costs mainly comprised interest expense on borrowings and bank charges while our finance income mainly represented interest income on our cash and cash equivalents.

The table below is an analysis of the major components of our net finance costs during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Finance income					
Interest income on cash and cash equivalents	24	32	99	16	22
Finance costs					
Interest expense on borrowings	(1,830)	(950)	(615)	(211)	(166)
Bank charges	(152)	(148)	(185)	(76)	(58)
	(1,982)	(1,098)	(800)	(287)	(224)
Finance costs, net	(1,958)	(1,066)	(701)	(271)	(202)

Taxation

The below table sets forth a breakdown of our taxation during the Track Record Period:

	Year ended 31 December			For the four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current income tax					
- PRC corporate income tax	4,029	3,378	4,724	2,043	1,905
- Hong Kong profits tax	215	262	414	142	981
Total current income tax	4,244	3,640	5,138	2,185	2,886
Deferred income tax	358	972	101	96	197
Income tax expense	4,602	4,612	5,239	2,281	3,083

For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, the applicable Hong Kong profits tax rate for our Group's subsidiary incorporated in Hong Kong was 16.5%.

Our Group's subsidiary in the PRC is subject to corporate income tax at a standard rate of 25% for the year ended 31 December 2015. During the year ended 31 December 2016, Shenzhen Hengchang Sheng, our Group's subsidiary in the PRC, has been granted the status of High and New Technology Enterprise and is therefore subject to preferential income tax rate of 15% for the two years ended 31 December 2017 and the four months ended 30 April 2018.

Saved as Hong Kong and the PRC, our Group had no tax payable in other jurisdictions during the Track Record Period. Income tax is recognised in the consolidated statements of comprehensive income. Our Group's effective income tax rates for each of the three years ended 31 December 2017 and the four months ended 30 April 2018 were approximately 24.7%, 17.3%, 15.5% and 18.1%, respectively.

During the Track Record Period, we provide EMS for mobile phones and other telecommunication devices through Shenzhen Hengchang Sheng to a few overseas customers under their brands or the relevant brand owners. Upon receipt of purchase orders from our overseas customers, Eternity Technology would place corresponding purchase orders to Shenzhen Hengchang Sheng. The inter-group transactions involving the sales of our finished products by Shenzhen Hengchang Sheng to Eternity Technology were on normal commercial terms with selling prices being determined based on the prevailing market prices of such finished products.

The pricing of the sales of finished products between Shenzhen Hengchang Sheng and Eternity Technology was based on the cost-plus basis. We assessed and referenced similar transactions in the market and are of the view that the transactions are carried out under arm's length basis.

In order to assess whether the sales between Shenzhen Hengchang Sheng and Eternity Technology were carried on an arm's length basis, we have engaged the Tax Consultant, the tax department of one of the largest international auditing, tax and advisory firms, to conduct an analysis of the above transactions by benchmarking the profit margin ranges derived from companies comparable to Eternity Technology during the Track Record Period. Given the functional profile of the parties involved in the transactions, transaction net margin method is selected as an appropriate transfer pricing analysis methodology to test the arm's length nature of the above transactions. The analysis suggested that the transactions between Shenzhen Hengchang Sheng and Eternity Technology are conducted in accordance with the arm's length principle from Hong Kong and PRC perspectives.

Based on the discussion with the Tax Consultant and the above comprehensive assessment basis by reference to similar market transactions and applying the profit margin ranges derived from comparable companies during the Track Record Period by the Tax Consultant, the Directors take the view that the transfer pricing arrangement under the above transactions between Shenzhen Hengchang Sheng and Eternity Technology complies with the applicable transfer pricing rules and regulations in the PRC and Hong Kong, which require related party transactions to be carried out at arm's length basis.

The below table sets forth the reconciliation among current income tax liabilities, tax expenses and tax payments during the Track Record Period.

	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January	1,974	6,233	8,905	4,835
Add: Current income tax provision/expense	4,244	3,640	5,138	2,886
Less: Current income tax paid	—	(984)	(9,175)	(2,709)
Currency translation difference	15	16	(33)	(16)
As at 31 December/30 April	6,233	8,905	4,835	4,996

Our income tax expense consisted of current and deferred income tax at the applicable tax rates in accordance with the relevant laws and regulations in the PRC and Hong Kong. For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, our income tax expenses were approximately RMB4.6 million, RMB4.6 million, RMB5.2 million and RMB3.1 million, respectively. However, we recorded cash outflow of tax payment of nil, RMB1.0 million, RMB9.2 million and RMB2.7 million for each of the three years ended 31 December 2017 and the four months ended 30 April 2018, respectively. The difference between income tax expense and tax payment was mainly due to (i) the timing difference of recognising revenue, cost of sales and other expenses between the statutory accounts filed with the PRC tax authorities and the historical financial information of the Group as disclosed in Appendix I to this prospectus; (ii) the timing differences between making tax provision and making actual tax payment where tax payments was made in the following year; and (iii) the utilisation of tax losses brought forward from the year ended 31 December 2012 to fully off-set the assessable profits as recorded in the PRC statutory account for the year ended 31 December 2014 and off-set majority of assessable profits as recorded in the PRC statutory account for the year ended 31 December 2015. Despite of the above, the current income tax liabilities brought forward as at 1 January 2015 and together with the tax liabilities arisen from assessable profit for the years ended 31 December 2015 and 2016 were substantially settled during the year ended 31 December 2016 and 2017.

Our Directors confirm that we had made all required tax filings in PRC and Hong Kong and paid all tax liabilities that became due, and we were not subject to any dispute or issue with tax authorities, which would have a material impact on our business, financial condition or results of operation, during the Track Record Period and up to the Latest Practicable Date.

Accumulated loss before the Track Record Period

As at 1 January 2015, our Group recorded an accumulated loss brought forward mainly due to the net loss incurred for the year ended 31 December 2012, mainly resulting from the gross loss incurred during the relevant year being further deteriorated by the operating expenses associated with our Group's business expansion. During the year ended 31 December 2012, our Group underpinned business expansion with relocation of our production facilities to larger premises located in Pingshan

District, Shenzhen, Guangdong Province, the PRC and had confronted considerable business disruption during the relevant year accordingly. Nevertheless, the operation and financial performance of our Group had been improving after the production process being restored to normal operating mode at the Shenzhen Production Plant, and our Group subsequently achieved a profit turnaround in 2013. Given this and with our continuous effort to, among others, (i) broaden our product portfolio to include mPOS and PCBA for smart devices, (ii) diversify our customer base to penetrate into other industries such as banking and finance and smart device and (iii) provide more value-added services (such as raw materials selection and procurement services) to our customers, our Group has sustained continued revenue growth and a net profit position since 2013 and up to the year ended 31 December 2017, enabling our Group to achieve a retained earning position as at 31 December 2017.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Four months ended 30 April 2018 compared with four months ended 30 April 2017

Revenue

Our revenue increased by approximately 34.9% from approximately RMB134.4 million for the four months ended 30 April 2017 to approximately RMB181.2 million for the four months ended 30 April 2018 with the combined effect of the followings:

- PCBAs: Our revenue generated from sales of PCBAs increased by approximately 16.5% from approximately RMB29.7 million for the four months ended 30 April 2017 to approximately RMB34.6 million for the four months ended 30 April 2018, primarily due to the increase in order demand from Customer J for the PCBAs for smart device as a result of Customer J's organic growth and the increase in sales orders received from a customer which engaged in the production of communication terminals, for our PCBAs for telecommunication. Such increase was offset by the decrease in revenue derived from Customer D since Customer D will be launching a new generation of one of its ATM products which resulted in the decrease in order size for its old generation ATM products during the four months ended 30 April 2018.

- Fully-assembled electronic products: Our revenue generated from the sales of fully-assembled electronic products increased by approximately 40.0% from approximately RMB104.7 million for the four months ended 30 April 2017 to approximately RMB146.6 million for the four months ended 30 April 2018, primarily due to the continued increase in orders of the mPOS triggered by the increasing trend towards cashless payments in the PRC and the increasing sales orders of tablets from an overseas customer, Customer I.

Cost of sales

While our revenue increased by approximately 34.9%, our cost of sales increased by approximately 36.1% from approximately RMB112.6 million for the four months ended 30 April 2017 to approximately RMB153.3 million for the four months ended 30 April 2018. The increase was mainly due to the increase in cost of raw materials used from approximately RMB86.5 million for the four months ended 30 April 2017 to approximately RMB128.0 million for the four months ended 30 April 2018. Such increase in cost of raw material used was mainly due to the increase in our purchase of raw materials for the four months ended 30 April 2018 which was in line with our increase in sales.

Gross profit and gross profit margin

As a result of the above, our gross profit increased by approximately 28.3% from approximately RMB21.7 million for the four months ended 30 April 2017 to approximately RMB27.8 million for the four months ended 30 April 2018 and our gross profit margin decreased from approximately 16.2% for the four months ended 30 April 2017 to approximately 15.4% for the four months ended 30 April 2018. The decrease in the gross profit margin for the four months ended 30 April 2018 was mainly attributable to the gross profit margin of mPOS decreased from approximately 16.8% for the four months ended 30 April 2017 to approximately 16.1% for the four months ended 30 April 2018 as we offered a more competitive price to Customer B than that of 2017.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 40.3% from approximately RMB2.7 million for the four months ended 30 April 2017 to approximately RMB3.9 million for the four months ended 30 April 2018, which was primarily due to the increase in employee benefit expenses resulted from increase in the basic salary of our sales and marketing staff for the four months ended 30 April 2018.

Administrative expenses

Administrative expenses increased by approximately 12.3% from approximately RMB7.7 million for the four months ended 30 April 2017 to approximately RMB8.7 million for the four months ended 30 April 2018, which was primarily due to listing expenses in relation to the Listing of approximately RMB4.3 million incurred for the four months ended 30 April 2018 as compared to approximately RMB3.6 million for the four months ended 30 April 2017.

Other income

Other income increased from nil for the four months ended 30 April 2017 to approximately RMB1.6 million for the four months ended 30 April 2018, primarily due to the government grants received by our Group.

Other gains, net

Other gains amounted to approximately RMB0.3 million for the four months ended 30 April 2018 as compared to approximately RMB0.1 million for the four months ended 30 April 2017. Other gains mainly comprised net realised and unrealised gains/(losses) on financial assets at fair value through profit or loss, gain/(loss) on disposal of properties, plant and equipment and exchange differences.

Finance costs, net

Net finance costs decreased by approximately 25.5% from approximately RMB0.3 million for the four months ended 30 April 2017 to approximately RMB0.2 million for the four months ended 30 April 2018. The decrease was mainly due to the decrease in interest expenses on borrowings as a result of the decrease in bank borrowings as at 30 April 2018 as compared to that as at 30 April 2017.

Income tax expense

Income tax expense increased by approximately 35.2% from approximately RMB2.3 million for the four months ended 30 April 2017 to approximately RMB3.1 million for the four months ended 30 April 2018, primarily due to the increase in profit before income tax by approximately 54.0% (as mainly driven by the increase in gross profit resulted from increase in revenue for the four months ended 30 April 2018). Our effective tax rate, which is calculated based on income tax expenses divided by profit before income tax, was approximately 20.6% and 18.1% for the four months ended 30 April 2017 and 2018, respectively.

Profit for the year and net profit margin

As a result of the above, our net profit increased by approximately 58.9% from approximately RMB8.8 million for the four months ended 30 April 2017 to approximately RMB13.9 million for the four months ended 30 April 2018. Our net profit margin increased from approximately 6.5% for the four months ended 30 April 2017 to approximately 7.7% for the four months ended 30 April 2018, primarily due to the our effective cost control on the administrative expenses in which the administrative expenses only accounted for approximately 4.8% of our revenue for the four months ended 30 April 2018 as compared to approximately 5.7% of our revenue for the four months ended 30 April 2017.

Other comprehensive (losses)/income

Other comprehensive losses amounted to approximately RMB272,000 for the four months ended 30 April 2018 as compared to other comprehensive income amounted to approximately RMB12,000 for the four months ended 30 April 2017, which was mainly due to increase in loss of the currency translation differences.

Total comprehensive income

As a result of the above, our total comprehensive income for the period increased by approximately 55.6% from approximately RMB8.8 million for the four months ended 30 April 2017 to approximately RMB13.7 million for the four months ended 30 April 2018.

Year ended 31 December 2017 compared with year ended 31 December 2016

Revenue

Our revenue increased by approximately 38.2% from approximately RMB267.9 million for the year ended 31 December 2016 to approximately RMB370.2 million for the year ended 31 December 2017 with the combined effect of the followings:

- PCBAs: Our revenue generated from the sales of PCBAs increased by approximately 28.6% from approximately RMB91.9 million for the year ended 31 December 2016 to approximately RMB118.2 million for the year ended 31 December 2017, primarily due to deepening customer relationship with customers engaged in banking and finance industry that has resulted to an increase in orders for our PCBAs and the release of new products by our customers in the smart device industry that utilised our sweeping robot mainboards and inductors in the sweeping robot.

- Fully-assembled electronic products: Our revenue generated from the sales of fully-assembled electronic products increased by approximately 43.2% from approximately RMB176.0 million for the year ended 31 December 2016 to approximately RMB252.0 million for the year ended 31 December 2017, primarily due to the continued increase in orders of the mPOS triggered by the trend towards cashless payments in the PRC and the new sales order of tablets from a new overseas customer. Such increase was offset by the decrease in revenue from mobile phones resulting from the shift of our product mix towards certain products with better margins.

Cost of sales

While our revenue increased by approximately 38.2%, our cost of sales increased by approximately 40.6% from approximately RMB220.4 million for the year ended 31 December 2016 to approximately RMB309.8 million for the year ended 31 December 2017. The increase was mainly due to the increase in cost of raw materials used from approximately RMB166.0 million for the year ended 31 December 2016 to approximately RMB239.4 million for the year ended 31 December 2017. Such increase in cost of raw material used was mainly due to the increase in our purchase of raw materials for the year ended 31 December 2017 which was in line with our increase in sales.

Gross profit and gross profit margin

As a result of the above, our gross profit increased by approximately 26.9% from approximately RMB47.5 million for the year ended 31 December 2016 to approximately RMB60.3 million for the year ended 31 December 2017 and our gross profit margin decreased from approximately 17.7% for the year ended 31 December 2016 to approximately 16.3% for the year ended 31 December 2017. The decrease in the gross profit margin for the year ended 31 December 2017 was mainly attributable to the gross profit margin of mPOS decreased from approximately 18.4% for the year ended 31 December 2016 to approximately 17.3% for the year ended 31 December 2017 as we offered a more competitive price to Customer B than that of 2015 and 2016.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 42.6% from approximately RMB6.7 million for the year ended 31 December 2016 to approximately RMB9.5 million for the year ended 31 December 2017, which was primarily due to the increase in employee benefit expenses resulted from increase in the number and basic salary of our sales and marketing staff for the year ended 31 December 2017.

Administrative expenses

Administrative expenses increased by approximately 43.8% from approximately RMB12.8 million for the year ended 31 December 2016 to approximately RMB18.4 million for the year ended 31 December 2017, which was primarily due to listing expenses in relation to the Listing of approximately RMB5.6 million incurred for the year ended 31 December 2017.

Other income

Other income increased from approximately RMB0.7 million for the year ended 31 December 2016 to approximately RMB0.8 million for the year ended 31 December 2017, primarily due to the increase in government grants received by our Group.

Other (losses)/gains, net

Other gains amounted to approximately RMB1.2 million for the year ended 31 December 2017 as compared to other losses amounted to approximately RMB1.0 million for the year ended 31 December 2016. Other (losses)/gains mainly comprised net realised and unrealised gains/(losses) on financial assets at fair value through profit or loss, gain on disposal of properties, plant and equipment and exchange differences. For year ended 31 December 2017, the gain on disposal of properties, plant and equipment was approximately RMB0.7 million as compared to approximately RMB0.1 million for the year ended 31 December 2016 and the gain on exchange differences was approximately RMB0.4 million for the year ended 31 December 2017 as compared to the loss on exchange differences of approximately RMB0.9 million for the year ended 31 December 2016.

Finance costs, net

Net finance costs decreased by approximately 34.2% from approximately RMB1.1 million for the year ended 31 December 2016 to approximately RMB0.7 million for the year ended 31 December 2017. The decrease was mainly due to the decrease in interest expenses on borrowings as a result of the decrease in bank borrowings for the year ended 31 December 2017.

Income tax expense

Income tax expense increased by approximately 13.6% from approximately RMB4.6 million for the year ended 31 December 2016 to approximately RMB5.2 million for the year ended 31 December 2017, primarily due to the increase in profit before income tax by approximately 26.4% (as mainly driven by the increase in gross profit resulted from increase in revenue for the year ended 31 December 2017). Our effective tax rate, which is calculated based on income tax expenses divided by profit before income tax, was approximately 17.3% and 15.5% for the years ended 31 December 2016 and 31 December 2017, respectively. As Shenzhen Hengchang Sheng has been granted the status of High and New Technology Enterprise in 2016 and was therefore subject to a preferential income tax rate of 15% during the two years ended 31 December 2017. Our profits tax rate in Hong Kong was 16.5% for the two years ended 31 December 2017.

Profit for the year and net profit margin

As a result of the above, our net profit increased by approximately 29.1% from approximately RMB22.1 million for the year ended 31 December 2016 to approximately RMB28.5 million for the year ended 31 December 2017. Our net profit margin slightly decreased from approximately 8.2% for the year ended 31 December 2016 to approximately 7.7% for the year ended 31 December 2017, primarily due to the decrease in gross profit margin for the year ended 31 December 2017.

Other comprehensive losses

Other comprehensive losses increased from approximately RMB10,000 for the year ended 31 December 2016 to approximately RMB250,000 for the year ended 31 December 2017, which was mainly due to increase in loss of the currency translation differences.

Total comprehensive income

As a result of the above, our total comprehensive income for the year increased by approximately 28.0% from approximately RMB22.1 million for the year ended 31 December 2016 to approximately RMB28.3 million for the year ended 31 December 2017.

Year ended 31 December 2016 compared with year ended 31 December 2015

Revenue

Our revenue increased by approximately 46.4% from approximately RMB182.9 million for the year ended 31 December 2015 to approximately RMB267.9 million for the year ended 31 December 2016 with the combined effect of the followings:

- PCBAs: Our revenue generated from sales of PCBAs increased by approximately 16.2% from RMB79.0 million for the year ended 31 December 2015 to RMB91.9 million for the year ended 31 December 2016, primarily due to deepening customer relationship with customers engaged in the banking and finance industry that has resulted to an increase in orders for our PCBAs.

- Fully-assembled electronic products: Our revenue generated from sales of fully-assembled electronic products increased by 69.4% from approximately RMB103.9 million for the year ended 31 December 2015 to approximately RMB176.0 million for the year ended 31 December 2016, primarily due to the increase in orders of the mPOS received triggered by the trend towards cashless payments in the PRC.

Cost of sales

While our revenue increased by approximately 46.4%, our cost of sales increased by approximately 48.6% from approximately RMB148.3 million for the year ended 31 December 2015 to approximately RMB220.4 million for the year ended 31 December 2016. The increase was mainly due to the increase in cost of raw materials used from approximately RMB73.8 million for the year ended 31 December 2015 to approximately RMB166.0 million for the year ended 31 December 2016. Such increase in cost of raw material used was mainly due to the increase in production resulted from the increase in our sales and the increase in the purchase of raw materials for the year ended 31 December 2016 as we provided raw materials sourcing and procurement services to more customers in addition to our assembling services.

Gross profit and gross profit margin

As a result of the above, our gross profit increased by approximately 37.4% from approximately RMB34.6 million for the year ended 31 December 2015 to approximately RMB47.5 million for the year ended 31 December 2016 and our gross profit margin decreased from approximately 18.9% for the year ended 31 December 2015 to approximately 17.7% for the year ended 31 December 2016. The decrease in the gross profit margins for the year ended 31 December 2016 was mainly attributable to the increased competition of the mobile phone market that had resulted in a decrease in profit margin of the mobile phones from approximately 17.0% for the year ended 31 December 2015 to approximately 11.3% for the year ended 31 December 2016. In view of the decreasing gross profit margin of the mobile phones, we refined their proportion in our product mix in which the mobile phones reduced from approximately 34.2% of our total revenue for the year ended 31 December 2015 to approximately 19.0% of our total revenue for the year ended 31 December 2016.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 82.1% from approximately RMB3.7 million for the year ended 31 December 2015 to approximately RMB6.7 million for the year ended 31 December 2016, which was primarily due to the increase in employee benefit expenses resulted from discretionary bonus of approximately RMB1.7 million to sales staff and increase in sales and marketing staff for the year ended 31 December 2016.

Administrative expenses

Administrative expenses increased by approximately 23.9% from approximately RMB10.3 million for the year ended 31 December 2015 to approximately RMB12.8 million for the year ended 31 December 2016, which was primarily due to the increase of employee benefit expenses resulted from the increase in discretionary bonus of approximately RMB1.1 million to administrative staff for the year ended 31 December 2016 and the increase in number of dispatched staff engaged by our Group to provide the function of procurement and inventory in view of more customers required us to provide raw materials selection and procurement services during the year ended 31 December 2016.

Other income

Other income increased from approximately RMB93,000 for the year ended 31 December 2015 to approximately RMB694,000 for the year ended 31 December 2016, primarily due to the increase in government grants received by our Group.

Other (losses)/gains, net

Other losses increased from approximately RMB0.1 million for the year ended 31 December 2015 to approximately RMB1.0 million for the year ended 31 December 2016, which was mainly attributable to the increase in loss on exchange differences.

Finance costs, net

Net finance costs decreased by approximately 45.6% from approximately RMB2.0 million in for the year ended 31 December 2015 to approximately RMB1.1 million for the year ended 31 December 2016. The decrease was mainly due to the decrease in interest expense on borrowings as a result of the decrease in bank borrowings for the year ended 31 December 2016.

Income tax expense

Income tax expense increase slightly by approximately 0.2% to approximately RMB4.6 million for the year ended 31 December 2016. Our effective tax rate, which is calculated based on income tax expenses divided by profit before income tax, was approximately 24.7% and 17.3% for each of the two years ended 31 December 2016, respectively. During the year ended 31 December 2015, our Group's PRC subsidiary was subject to EIT of 25% which resulted in a relatively higher effective tax rate. As Shenzhen Hengchang Sheng has been granted the status of High and New Technology Enterprise during the year ended 31 December 2016 and was therefore subject to preferential income tax rate of 15% during the year ended 31 December 2016, we recorded a decrease in the effective tax rate. Our profits tax rate in Hong Kong was 16.5% for the years ended 31 December 2015 and 2016.

Profit for the year and net profit margin

As a result of the above, our net profit substantially increased by approximately 57.8% from approximately RMB14.0 million for the year ended 31 December 2015 to approximately RMB22.1 million for the year ended 31 December 2016. Our net profit margin also increased from approximately 7.6% for the year ended 31 December 2015 to approximately 8.2% for the year ended 31 December 2016.

Other comprehensive losses

Other comprehensive losses decreased by approximately 92.0% from approximately RMB125,000 for the year ended 31 December 2015 to approximately RMB10,000 for the year ended 31 December 2016, which was mainly due to decrease in losses from currency translation differences.

Total comprehensive income

As a result of the above, our total comprehensive income for the year increased by approximately 59.2% from approximately RMB13.9 million for the year ended 31 December 2015 to approximately RMB22.1 million for the year ended 31 December 2016.

ANALYSIS ON MAJOR COMPONENTS OF THE CONSOLIDATED BALANCE SHEETS

The table below presents the summary of consolidated balance sheets of our Group as at 31 December 2015, 2016, 2017 and 30 April 2018 extracted from the Accountant's Report in Appendix I to this prospectus.

Consolidated balance sheets

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Properties, plant and equipment	15,863	11,309	13,853	14,456
Intangible assets	—	1,720	1,478	1,375
Prepayments and deposits	394	336	401	2,433
Deferred tax assets	2,158	1,186	1,085	888
	18,415	14,551	16,817	19,152
Current assets				
Inventories	22,143	21,606	31,449	70,312
Trade and bills receivables	52,987	80,730	71,090	150,170
Prepayments, deposits and other receivables	2,479	3,737	10,425	16,318
Financial assets at fair value through profit or loss	12,669	20,254	—	—
Amount due from a related party	2,530	4,000	—	—
Pledged bank deposits	615	1,490	—	4,045
Cash and cash equivalents	28,901	21,241	53,134	51,183
	122,324	153,058	166,098	292,028
Total assets	140,739	167,609	182,915	311,180
EQUITY				
Share capital	—	—	—	—
Reserves	23,200	45,271	86,359	100,021
Total equity	23,200	45,271	86,359	100,021
LIABILITIES				
Current liabilities				
Trade payables	33,082	53,182	55,632	150,101
Current income tax liabilities	6,233	8,905	4,835	4,996
Bank borrowings	20,628	12,326	5,000	13,466
Receipts in advance, other payables and accruals	28,287	25,543	31,089	42,596
Amounts due to related parties	29,309	22,382	—	—
	117,539	122,338	96,556	211,159
Total liabilities	117,539	122,338	96,556	211,159
Total equity and liabilities	140,739	167,609	182,915	311,180

Properties, plant and equipment

Our Group's properties, plant and equipment comprised buildings, furniture and fixtures, office equipment, plant and machinery and motor vehicles. As at 31 December 2015, 2016 and 2017 and 30 April 2018, our Group's properties, plant and equipment were approximately RMB15.9 million, RMB11.3 million, RMB13.9 million and RMB14.5 million respectively, representing approximately 11.3%, 6.7%, 7.6% and 4.6% of our Group's total assets as at the respective dates.

The carrying amount of our properties, plant and equipment decreased by approximately RMB4.6 million from approximately RMB15.9 million as at 31 December 2015 to approximately RMB11.3 million as at 31 December 2016, which was mainly attributable to depreciation charges of approximately RMB5.0 million and disposals of plant and machinery of approximately RMB0.3 million, partially offset by additions of office equipment and plant and machinery of approximately RMB0.7 million. The carrying amount of our properties, plant and equipment increased by approximately RMB2.5 million to RMB13.9 million as at 31 December 2017 which was primarily due to additions of motor vehicles, office equipment and plant and machinery of approximately RMB5.3 million, partially offset by depreciation charges of approximately RMB2.4 million and disposals of office equipment and plant and machinery of approximately RMB0.4 million for the year ended 31 December 2017. The carrying amount of our properties, plant and equipment increased by approximately RMB0.6 million from approximately RMB13.9 million as at 31 December 2017 to approximately RMB14.5 million as at 30 April 2018 which was primarily due to additions of office equipment, plant and machinery and motor vehicles of approximately RMB1.4 million, partially offset by depreciation charges and disposals of plant and machinery of approximately RMB0.8 million.

Inventories

Our Group's inventories comprised raw materials, work in progress and finished goods. Our Group stored our inventories in warehouses located in the PRC. As at 31 December 2015, 2016 and 2017 and 30 April 2018, our Group's inventory levels remained stable as a percentage of our revenue, which accounted for approximately 18.1%, 14.1%, 18.9% and 24.1% of our total current assets for the respective dates. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. We write down our inventories to their net realisable values based on a case-by-case assessment. For each of the three years ended 31 December 2017 and four months ended 30 April 2018, we recognised inventory provision of approximately RMB0.2 million, RMB1.0 million, RMB1.1 million and RMB0.2 million, respectively.

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	13,811	13,111	25,477	36,935
Work in progress	2,550	2,672	982	4,249
Finished goods	5,782	5,823	4,990	29,128
	22,143	21,606	31,449	70,312

The following table sets out a summary of our Group's average inventory turnover days for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April
	2015	**2016**	**2017**	**2018**
Inventory turnover days *(Note)*	28.5	36.2	31.3	39.8

Note: The calculation of inventory turnover days is based on the average of the opening balance and closing balance of inventories divided by cost of sales for the relevant year/period and multiplied by the number of days in the relevant year/period.

As at 31 December 2016, our Group recorded an increase in average inventory turnover days from approximately 28.5 days for the year ended 31 December 2015 to approximately 36.2 days for the year ended 31 December 2016. The lower average inventory turnover days for the year ended 31 December 2015 was primarily due to lower opening inventories balance as at 1 January 2015 as compared to that as at 31 December 2015. During the year ended 31 December 2015, more customers requested us to provide raw materials sourcing and procurement service in addition to our assembly services, which led to a higher inventories balance at the end of the year ended 31 December 2015 as compared to that at the beginning of the year. As at 31 December 2017, our Group recorded a decrease in average inventory turnover days from approximately 36.2 days for the year ended 31 December 2016 to approximately 31.3 days for the year ended 31 December 2017. Such decrease was mainly attributable to our Group's effort in enhancing our supply chain management. As at 30 April 2018, our Group recorded an increase in inventory turnover days from approximately 31.3 days for the year ended 31 December 2017 to approximately 39.8 days for the four months ended 30 April 2018 due to preparation of raw materials and finished goods to meet the needs of increased sales volume during and subsequent to the Track Record Period.

As at the Latest Practicable Date, inventories with the carrying amounts of approximately RMB54.1 million, representing approximately 77.0% of the inventories balance as at 30 April 2018, has been sold or utilised.

Trade and bills receivables

As at 31 December 2015, 2016 and 2017 and 30 April 2018, our Group's trade and bills receivables were approximately RMB53.0 million, RMB80.7 million, RMB71.1 million and RMB150.2 million respectively, representing approximately 43.3%, 52.7%, 42.8% and 51.4% of our Group's total current assets as at the respective dates.

The following table sets out the details of our Group's trade and bill receivables as at the dates indicated:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	47,292	69,663	61,490	146,115
Bills receivables	5,695	11,067	9,600	4,055
Less: allowance for impairment of trade and bills receivables	—	—	—	—
	52,987	80,730	71,090	150,170

Our Group's trade and bills receivables represented the receivables from our customers, and net of allowance for impairment of trade receivables. Save for new customers who are required to make full payment to us before we deliver the products to them, we generally grant credit periods to our customers primarily from 30 to 120 days, depending on the creditworthiness of individual customers, which is determined on a case-by-case basis with reference to the customers' scale of operation and length of business relationship with us. Our customers usually settle payment by way of bank transfer, telegraph transfer or bank acceptance bills.

Our trade and bills receivables gradually increased from approximately RMB53.0 million as at 31 December 2015 to approximately RMB80.7 million as at 31 December 2016, and decreased to RMB71.1 million as at 31 December 2017. Our trade and bills receivables further increase to approximately RMB150.2 million as at 30 April 2018 as compared to approximately RMB71.1 million as at 31 December 2017, which was mainly due to the strong demand from Customer B around the first quarter of the year in anticipation of strong market demands.

As at 31 December 2015, 2016 and 2017 and 30 April 2018, the aging analysis of trade and bills receivables, based on due date, was as follows:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current	48,025	71,367	62,684	133,673
1 to 3 months	4,903	7,886	6,564	12,629
Over 3 months	59	1,477	1,842	3,868
	52,987	80,730	71,090	150,170

As at 31 December 2015, 2016 and 2017 and 30 April 2018, trade receivables of approximately RMB5.0 million, RMB9.4 million, RMB8.4 million and RMB16.5 million, respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables was as follows:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Past due but not impaired:				
- 1 to 3 months	4,903	7,886	6,564	12,629
- Over 3 months	59	1,477	1,842	3,868
	4,962	9,363	8,406	16,497

As at 31 December 2015, 2016 and 2017 and 30 April 2018, the trade and bills receivables of approximately RMB48.0 million, RMB71.4 million, RMB62.7 million and RMB133.7 million respectively were not yet past due.

The following table sets out the turnover days of our Group's trade and bills receivables for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April
	2015	**2016**	**2017**	**2018**
Trade and bills receivables turnover days *(Note)*	119.5	91.1	74.9	73.3

Note: The calculation of trade and bills receivables turnover days is based on the average of the opening balance and closing balance of trade and note receivables for the relevant year/period divided by revenue and multiplied by the number of days in the relevant year/period.

For each of the three years ended 31 December 2017 and four months ended 30 April 2018, trade and bills receivables turnover days were approximately 119.5 days, 91.1 days, 74.9 days and 73.3 days, respectively. The trade and bills receivables turnover days indicate the average number of days required for us to collect payments from our customers. The trade and bills receivables turnover days decreased from approximately 119.5 days for the year ended 31 December 2015 to approximately 91.1 days for the year ended 31 December 2016 and further decreased to approximately 74.9 days for the year ended 31 December 2017 which was primarily driven by our strengthened collection efforts of trade receivables from customers and the increase in contribution of revenue from Customer B which was required to make 50% down payment for its purchase orders. The trade and bills receivables turnover days for the four months ended 30 April 2018 remained stable to that for the year ended 31 December 2017.

As at the Latest Practicable Date, subsequent settlement of the outstanding balance of trade and bills receivables as at 30 April 2018 amounted to approximately RMB139.2 million, representing approximately 92.7% of the outstanding balance as at 30 April 2018.

Prepayments, deposits and other receivables

Prepayments mainly represented prepayments of purchase of inventories. Deposits mainly represented rental and utility deposits. Other receivables mainly represented tax refund of export sales to overseas customers and advance payment to a potential business partner. The current portion of prepayments, deposits and other receivables amounted to approximately RMB2.5 million, RMB3.7 million, RMB10.4 million and RMB16.3 million as at 31 December 2015, 2016 and 2017 and 30 April 2018, respectively. The following table sets out the balances of the prepayments, deposits and other receivables for the periods indicated:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total				
Prepayments	821	2,321	3,851	10,773
Deposits	772	416	4,815	4,947
Other receivables	1,280	1,336	674	504
Prepaid listing expenses	—	—	1,486	2,527
	2,873	4,073	10,826	18,751
Less: non-current portion				
Deposits	(394)	(336)	(401)	(536)
Prepayments for the acquisition of property, plant and equipment	—	—	—	(1,897)
Current portion	2,479	3,737	10,425	16,318

Financial assets at fair value through profit or loss

Financial asset at fair value through profit or loss represented fair value of the listed equity securities and unlisted financial products which were trust schemes and private investment funds managed by licensed financial institutions in the PRC. The fair value of the listed equity securities and unlisted financial products was recorded at approximately RMB12.7 million, RMB20.3 million, nil and nil as at 31 December 2015, 2016 and 2017 and 30 April 2018 respectively.

Our financial asset at fair value through profit or loss increased by approximately RMB7.6 million from approximately RMB12.7 million as of 31 December 2015 to approximately RMB20.3 million as at 31 December 2016, reflecting the investment of idle funds in the short-term trust schemes and private investment funds managed by licensed financial institutions in the PRC. Accordingly, we generally adopt treasury and investment measures that govern our investments in such financial assets. These measures include, among other things, the following:

(i) investments in financial asset at fair value through profit or loss shall be made when we have surplus cash that is not required for our short-term working capital purposes;

(ii) investments shall generally be short-term (which refers to a period of not more than one year) in order to maintain our liquidity and financial flexibility; and

(iii) our finance director together with chairman of our Board, shall consider the criteria of the investments, which include, but are not limited to, liquidity, risk and expected return.

During the Track Record Period, we primarily considered investing in low-risk short-term trust schemes and private investment funds managed by licensed financial institutions in the PRC that provide reasonable returns while allowing us to maintain adequate level of liquidity.

The following table sets out the fair value of the listed equity securities and unlisted financial products as at the dates indicated:

	As at 31 December			**As at 30 April**
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Listed equity securities — held-for-trading — PRC	2,169	754	—	—
Unlisted financial products — held-for-trading — PRC	10,500	19,500	—	—
	12,669	20,254	—	—

Trade payables

As at 31 December 2015, 2016 and 2017 and 30 April 2018, our trade payables were approximately RMB33.1 million, RMB53.2 million, RMB55.6 million and RMB150.1 million, respectively, representing approximately 28.1%, 43.5%, 57.6% and 71.1% of our Group's total current liabilities as at the respective dates.

Our Group's trade payables mainly related to the purchases of raw materials and components and provision of subcontracting services by our suppliers and subcontractors. Our Group is generally required to pay for the raw materials upon their delivery to our warehouse or between 30 to 90 days after the date of the invoices. Sometimes, at the request of the suppliers and subject to the demand and supply conditions of the relevant raw materials, we may need to prepay certain amount of the purchase price in order to secure our purchase of the raw materials. Payment is generally made by bank transfer or bank acceptance bills endorsed to us by our customers and settled in RMB or US$.

The increase in trade payables by approximately RMB20.1 million from approximately RMB33.1 million as at 31 December 2015 to approximately RMB53.2 million as at 31 December 2016 was in line with the increase in our purchase of raw materials as more customers required us to provide raw material selection and procurement services in addition to our assembly services for the year ended 31 December 2016. The trade payable slightly increased from approximately RMB53.2 million as at 31 December 2016 to approximately RMB55.6 million as at 31 December 2017 which was in line to the increasing trend of our cost of materials used. The increase in trade payables by approximately RMB94.5 million from approximately RMB55.6 million as at 31 December 2017 to approximately RMB150.1 million as at 30 April 2018 was mainly due to the increase in purchase during the four months ended 30 April 2018 to meet the needs of increased sales volume.

The following table sets out the ageing analysis of trade payables based on invoice date:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	7,502	17,430	24,467	111,362
1 to 2 months	8,946	21,295	13,976	27,024
2 to 3 months	1,258	6,482	11,183	5,045
Over 3 months	15,376	7,975	6,006	6,670
	33,082	53,182	55,632	150,101

The following table sets out the turnover days of our trade payables for the periods indicated:

	For the year ended 31 December			For the four months ended 30 April
	2015	**2016**	**2017**	**2018**
Trade payables turnover days *(Note)*	65.7	71.4	64.1	80.5

Note: The calculation of trade payables turnover days is based on the average of the opening balance and closing balance of trade payables for the relevant year/period divided by cost of sales and multiplied by the number of days in the relevant year/period.

For each of the three years ended 31 December 2017, trade payables turnover days were approximately 65.7 days, 71.4 days and 64.1 days respectively. The trade payables turnover days were relatively stable for each of the three years ended 31 December 2017. The trade payables turnover days indicate the average number of days that we settle payments to our suppliers and subcontractors. The increase in turnover days from approximately 65.7 days for the year ended 31 December 2015 to approximately 71.4 days for the year ended 31 December 2016 was mainly due to the fact that more customers requested us to provide raw materials sourcing and procurement service in addition to our assembling services, which led to a higher trade payable level as at 31 December 2016. Our trade payables turnover days fell back to approximately 64.1 days for the year ended 31 December 2017 which was within the range of our credit period of 30 to 90 days after the date of invoices. The increase in trade payables turnover days to approximately 80.5 days for the four months ended 30 April 2018 was mainly due to the increase in purchase in April 2018 to meet the needs of increased sales volume subsequent to the Track Record Period.

As at the Latest Practicable Date, subsequent settlements of the outstanding balance of trade payables as at 30 April 2018 amounted to approximately RMB102.7 million, representing 68.4% of the outstanding balance as at 30 April 2018.

Receipts in advance, other payables and accruals

As at 31 December 2015, 2016 and 2017 and 30 April 2018, our receipt in advance, other payables and accruals were approximately RMB28.3 million, RMB25.5 million, RMB31.1 million and RMB42.6 million respectively.

The following table sets out the balances of our receipts in advance, other payables and accruals as at the dates indicated:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables	6,952	3,236	2,548	4,492
Other tax payables	5,417	8,548	5,743	8,879
Accruals	9,960	12,079	10,847	9,267
Accrued listing expenses	—	—	562	405
Receipts in advance	5,958	1,680	11,389	19,553
	28,287	25,543	31,089	42,596

Other payables mainly represented payable for rental expenses of machineries, payables for consumables and a loan from an independent third party (the "**Lender**"). The Lender is a PRC resident who is a businessman and a friend of Mr. Ma. Since there was a funding need of our Group in 2010, Mr. Ma asked the Lender to borrow RMB1.0 million (the "**Loan**") to our Group as our working capital. Having considered the loan amount was not material and the trustworthiness of Mr. Ma, the Lender did not enter into any loan agreement with our Group. As such, the Loan was on an interest-free, non-trade, unsecured and without fixed repayment term. Our Group repaid the Loan to the Lender in 2016. Our PRC legal advisers confirmed that given the nature of this loan, it did not exist the circumstances of invalidity prescribed in applicable PRC laws, regulations and relevant judicial interpretations, and did not violate any mandatory provisions of PRC laws and regulations.

To the best of our Directors' knowledge, information and belief after having made all reasonable enquiry, the Lender is a third party independent of our Company and its connected persons. Save as the Loan provided by the Lender, our Directors confirmed that there are no any other past or present relationships or transactions (including but not limited to fund flows) between our Group and the Lender as at the Latest Practicable Date.

The decrease in other payables by approximately RMB3.8 million from approximately RMB7.0 million as at 31 December 2015 to approximately RMB3.2 million as at 31 December 2016 was mainly due to decrease in payable for rental expenses of machineries and the repayment of RMB1.0 million interest-free loan to an independent third party. As at 31 December 2017, the other payables were further decreased by approximately RMB0.7 million to approximately RMB2.5 million as compared to that as at 31 December 2016, which was mainly due to the settlement of relevant payable costs and expenses before the year ended 31 December 2017. Our other payables increase to approximately RMB4.5 million as at 30 April 2018 as compared to approximately RMB2.5 million as at 31 December 2017. The increase was mainly due to accrued operating lease rentals in respect of machineries and accrued transportation charges payable to an Independent Third Party logistics service provider.

Other tax payables mainly represented VAT and VAT surcharges payables. The increase in other tax payables by approximately RMB3.1 million from approximately RMB5.4 million as at 31 December 2015 to approximately RMB8.5 million as at 31 December 2016 was mainly due to increase in VAT and VAT surcharges payables which was in line with the growth in our revenue for the year ended 31 December 2016. As at 31 December 2017, the other tax payables were decreased by approximately RMB2.8 million to approximately RMB5.7 million as compared to that as at 31 December 2016, which was mainly due to the settlement of relevant VAT and VAT surcharges payable before the year ended 31 December 2017. The increase in other tax payables by approximately RMB3.1 million from approximately RMB5.7 million as at 31 December 2017 to approximately RMB8.9 million as at 30 April 2018 was mainly due to increase in VAT and VAT surcharges payables which was in line with the growth in our revenue during the period.

The accruals mainly represented accrued salaries and staff benefits and provision for PRC social insurance contribution. The increase in accruals by approximately RMB2.1 million from approximately RMB10.0 million as at 31 December 2015 to approximately RMB12.1 million as at 31 December 2016 was mainly due to the increase in accrued year-end discretionary bonus to our staff for the year ended 31 December 2016.

Receipts in advance represented trade deposits we received from our customers. The decrease in receipts in advance by approximately RMB4.3 million from approximately RMB6.0 million as at 31 December 2015 to approximately RMB1.7 million as at 31 December 2016 was mainly due to the deposit made by Customer C in 2015. As at 31 December 2017, the receipts in advance was increased by approximately RMB9.7 million to approximately RMB11.4 million as compared to that as at 31 December 2016, which was mainly due to the deposit made by various overseas and local customers. As at 30 April 2018, the receipts in advance was increased by approximately RMB8.2 million to approximately RMB19.6 million as compared to that as at 31 December 2017, which was mainly due to the deposit made by various overseas and local customers.

Bank borrowings

As at 31 December 2015, 2016 and 2017 and 30 April 2018, our Group's borrowings were approximately RMB20.6 million, RMB12.3 million, RMB5.0 million and RMB13.5 million respectively, representing approximately 17.5%, 10.1%, 5.2% and 6.4% of our Group's total current liabilities as at the respective dates.

Our Group's bank loans were carried at floating rate ranged from 4.5% to 8.1% per annum as at 31 December 2015, floating rate ranged from 5.7% to 6.3% per annum as at 31 December 2016 and floating rate ranged from 5.7% to 6.6% per annum as at 31 December 2017. As at 30 April 2018, our Group's borrowings loans were carried at floating rate ranged from 5.7% to 6.6% per annum.

As at 31 December 2015, 2016 and 2017 and 30 April 2018, our Group's undrawn borrowing facilities amounted to approximately RMB12.7 million, RMB22.0 million, RMB19.0 million and RMB19.0 million, respectively.

As at 31 December 2015, 2016 and 2017 and 30 April 2018, our bank borrowings were secured by (i) properties, plant and equipment; (ii) trade receivable; (iii) inventories; (iv) pledged bank deposits; (v) personal guarantee from Mr. Ma or Mr. Ma and Ms. Cheng Lihong; and/or (vi) corporate guarantee from a related company. As at 31 December 2015, 2016 and 2017 and 30 April 2018, the total bank borrowings pledged by certain assets and their carrying values are shown as below:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties, plant and equipment	7,597	5,391	4,731	4,631
Trade receivables	2,578	—	—	—
Inventories	2,050	4,326	—	8,466
Pledged bank deposits	615	1,490	—	4,045
	12,840	11,207	4,731	17,142

Our Directors confirm that the personal guarantees from Mr. Ma and Ms. Cheng Lihong will be released and replaced by corporate guarantee provided by our Company upon Listing.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our Group's operation and capital requirements were financed principally through a combination of internal resources and bank borrowings.

During the Track Record Period, we were able to repay our obligations under bank borrowings when they became due. We expect that there will not be any material change in the sources and uses of the cash of our Group upon completion of the Listing and in the future, except that we will have additional funds from the proceeds of the Listing for implementing our future plans as detailed in "Future Plans and Use of Proceeds" in this prospectus.

Cash flows of our Group

The following table sets out a condensed summary of our Group's consolidated statements of cash flows during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Net cash generated from/(used in) operating activities	37,067	21,513	29,173	22,169	(993)
Net cash (used in)/generated from investing activities	(14,537)	(9,645)	16,234	6,432	(3,579)
Net cash (used in)/generated from financing activities	(10,886)	(19,641)	(12,838)	(1,619)	3,001
Net increase/(decrease) in cash and cash equivalents	11,644	(7,773)	32,569	26,982	(1,571)
Cash and cash equivalents at beginning of the year/period	16,536	28,901	21,241	21,241	53,134
Currency translation differences	721	113	(676)	(81)	(380)
Cash and cash equivalents at end of the year/period	28,901	21,241	53,134	48,142	51,183

Net cash generated from/(used in) operating activities

Our cash from operations was mainly generated from receipts of payments for the sales of our products. Our cash used in operations mainly comprised payment for our purchase of raw materials, employee benefit expenses, taxes and other operating expenses.

For the four months ended 30 April 2018, our Group's net cash used in operating activities was approximately RMB1.0 million, which was mainly attributable to the cash generated from operations of approximately RMB1.7 million, partially offset by income tax paid of approximately RMB2.7 million. Our operating cash flows before working capital changes was approximately RMB18.3 million which was primarily attributable to profit before tax of approximately RMB17.0 million after adjustment for non-cash or non-operating activities related items, which principally included (i) depreciation of properties, plant and equipment of approximately RMB0.7 million; (ii) provision for inventories of approximately RMB0.2 million; and (iii) finance expenses of approximately RMB0.2 million. Our change in working capital was attributable to a cash outflow of approximately RMB16.6 million, which was primarily due to the increase in trade and bills receivables of approximately RMB79.1 million, the increase in inventories of approximately RMB39.0 million and the increase in prepayments, deposits and other receivables of approximately RMB5.1 million, partially offset by the increase in trade payables of approximately RMB94.5 million and the increase in receipts in advance, other payables and accruals of approximately RMB12.2 million.

For the year ended 31 December 2017, our Group's net cash generated from operating activities was approximately RMB29.2 million, which was mainly attributable to the cash generated from operations of approximately RMB38.2 million, partially offset by income tax paid of approximately RMB9.2 million. Our operating cash flows before working capital changes was approximately RMB37.4 million, which was primarily attributable to profit before tax of approximately RMB33.8 million after adjustment for non-cash or non-operating activities related items, which principally included (i) depreciation of properties, plant and equipment of approximately RMB2.3 million; (ii) provision for inventories of approximately RMB1.1 million; and (iii) finance expenses of approximately RMB0.8 million. Our change in working capital was attributable to a cash inflow of approximately RMB0.8 million, which was primarily due to the decrease in trade and bills receivables of RMB9.4 million, the increase in receipts in advance, other payables and accruals of approximately RMB5.7 million and increase in trade payables of approximately RMB2.1 million, partially offset by the increase in inventories of approximately RMB10.9 million and the increase in prepayments, deposits and other receivables of approximately RMB5.6 million.

For the year ended 31 December 2016, our Group's net cash generated from operating activities was approximately RMB21.5 million, which was mainly attributable to the cash generated from operations of approximately RMB22.4 million, partially offset by income tax paid of approximately RMB1.0 million. Our operating cash flows before working capital changes was approximately RMB33.7 million, which was primarily attributable to profit before tax of approximately RMB26.7 million after adjustment for non-cash or non-operating activities related items, which principally included (i) depreciation of properties, plant and equipment of approximately RMB4.9 million; and (ii) finance expenses of approximately RMB1.1 million and provision for inventories of approximately RMB1.0 million. Our change in working capital was attributable to a cash outflow of approximately RMB11.2 million, which was primarily due to the increase in trade and bills receivables of RMB27.6 million and decrease in receipt in advance, other payables and accruals of approximately RMB2.9 million, partially offset by increase in trade payables of approximately RMB20.7 million.

For the year ended 31 December 2015, our Group's net cash generated from operating activities was approximately RMB37.1 million which was mainly attributable to the cash generated from operations. Our operating cash flows before working capital changes was approximately RMB29.3 million, which was primarily attributable to profit before tax of approximately RMB18.6 million after adjustment for non-cash or non-operating activities related items, which principally included (i) depreciation of properties, plant and equipment of approximately RMB8.7 million; and (ii) finance expenses of approximately RMB2.0 million. Our change in working capital was attributable to a cash inflow of approximately RMB7.8 million, which was primarily due to decrease in trade and bills receivables of approximately RMB13.8 million, the increase in trade payables of approximately RMB13.5 million and the increase in receipts in advance, other payables and accruals of approximately RMB3.4 million, partially offset by the increase in inventories of approximately RMB21.3 million and the increase in prepayments, deposits and other receivables of approximately RMB1.7 million.

Net cash (used in)/generated from investing activities

During the Track Record Period, our Group derived cash outflow used in investing activities mainly attributable to purchases of properties, plant and equipment and intangible assets and purchase of financial assets at fair value through profit or loss.

For the four months ended 30 April 2018, our net cash used in investing activities was approximately RMB3.6 million, which was primarily due to purchase of properties, plant and equipment of approximately RMB3.6 million.

For the year ended 31 December 2017, our net cash generated from investing activities was approximately RMB16.2 million, which was primarily due to the net proceeds from the disposal of financial assets at fair value through profit or loss of approximately RMB20.3 million and the proceeds from the disposal of properties, plant and equipment of approximately RMB1.1 million, partially offset by the purchase of properties, plant and equipment of approximately RMB5.1 million.

For the year ended 31 December 2016, our net cash used in investing activities was approximately RMB9.6 million, which was primarily due to net proceeds used in purchase of financial assets at fair value through profit or loss of approximately RMB7.8 million and purchase of intangible assets of approximately RMB1.8 million.

For the year ended 31 December 2015, our net cash used in investing activities was approximately RMB14.5 million, which was mainly attributable to net proceeds used in purchase of financial assets at fair value through profit or loss of approximately RMB12.4 million and purchase of properties, plant and equipment of approximately RMB2.2 million.

Net cash (used in)/generated from financing activities

During the Track Record Period, our cash inflow from financing activities was primarily attributable to proceeds from bank borrowings. Our cash outflow from financing activities was mainly attributable to repayments of bank borrowings and interest paid.

For the four months ended 30 April 2018, our net cash generated from financing activities was approximately RMB3.0 million. The net cash generated from financing activities was primarily due to proceeds from bank borrowings of approximately RMB8.5 million, partially offset by change in pledged bank deposits of approximately RMB4.0 million and payment of Listing expenses of approximately RMB1.2 million.

For the year ended 31 December 2017, our net cash used in financing activities was approximately RMB12.8 million. The net cash used in financing activities was primarily due to repayments of bank borrowings of approximately RMB21.6 million, consideration paid for the acquisition of our subsidiaries in respect of Reorganisation of approximately RMB19.9 million, repayment of amounts due to related parties of approximately RMB29.7 million and repayment to a related party of approximately RMB2.1 million, partially offset by proceeds from loans from shareholders of approximately RMB19.7 million, proceeds from bank borrowings of approximately RMB14.3 million, proceeds from issuance of ordinary shares of our Company of approximately RMB12.2 million, proceeds from amounts due to related parties of approximately RMB8.1 million and advance from a related party of approximately RMB6.1 million.

For the year ended 31 December 2016, our net cash used in financing activities was approximately RMB19.6 million. The net cash used in financing activities was primarily due to repayments of bank borrowings of approximately RMB29.4 million, repayment of amounts due to related parties of approximately RMB10.1 million, repayment to a related party of approximately RMB4.3 million and interest paid of approximately RMB1.1 million, partially offset by proceeds from bank borrowings of approximately RMB21.1 million, proceeds from amounts due to related parties of approximately RMB2.2 million and advance from a related party of approximately RMB2.8 million.

For the year ended 31 December 2015, our net cash used in financing activities was approximately RMB10.9 million, which was mainly attributable to repayment of bank borrowings of approximately RMB75.4 million, repayment of amounts due to related parties of approximately RMB10.1 million, repayment to a related party of approximately RMB2.5 million and interest paid of approximately RMB2.0 million, partially offset by proceeds from bank borrowings of approximately RMB78.8 million.

NET CURRENT ASSETS

The following table sets out our Group's current assets and liabilities as of the date indicated.

	As at 31 December			As at 30 April	As at 30 June
	2015	2016	2017	2018	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
CURRENT ASSETS					
Inventories	22,143	21,606	31,449	70,312	57,889
Trade and bills receivables	52,987	80,730	71,090	150,170	169,882
Prepayments, deposits and other receivables	2,479	3,737	10,425	16,318	44,334
Financial assets at fair value through profit or loss	12,669	20,254	—	—	—
Amount due from a related party	2,530	4,000	—	—	—
Pledged bank deposits	615	1,490	—	4,045	7,593
Cash and cash equivalents	28,901	21,241	53,134	51,183	27,674
Total current assets	122,324	153,058	166,098	292,028	307,372
CURRENT LIABILITIES					
Trade payables	33,082	53,182	55,632	150,101	164,489
Current income tax liabilities	6,233	8,905	4,835	4,996	7,365
Bank borrowings	20,628	12,326	5,000	13,466	12,730
Receipts in advance, other payables and accruals	28,287	25,543	31,089	42,596	40,190
Amounts due to related parties	29,309	22,382	—	—	—
Total current liabilities	117,539	122,338	96,556	211,159	224,774
NET CURRENT ASSETS	4,785	30,720	69,542	80,869	82,598

As at 30 June 2018, our net current assets increased by approximately RMB1.7 million to approximately RMB82.6 million as compared to that as at 30 April 2018, primarily due to (i) the increase in current assets of approximately RMB15.3 million, which was primarily driven by the increase in trade and bills receivables of approximately RMB19.7 million and the increase in prepayment, deposits and other receivables of approximately RMB28.0 million and partly offset by the decrease in cash and cash equivalents of approximately RMB23.5 million and the decrease in inventories of approximately RMB12.4 million; and offset by (ii) the increase in current liabilities of approximately RMB13.6 million, which was primarily driven by the increase in trade payables of approximately RMB14.4 million.

As at 30 April 2018, our net current assets increased by approximately RMB11.3 million to approximately RMB80.9 million as compared to that as at 31 December 2017, primarily due to (i) the increase in current assets of approximately RMB125.9 million, which was primarily driven by the increase in trade and bills receivables of approximately RMB79.1 million and the increase in inventories of approximately RMB38.9 million; and offset by (ii) the increase in current liabilities of approximately RMB114.6 million, which was primarily driven by the increase in trade payables of approximately RMB94.5 million, the increase in receipts in advance, other payables and accruals of approximately RMB11.5 million and the increase in bank borrowings of approximately RMB8.5 million.

As at 31 December 2017, our net current assets increased by approximately RMB38.8 million to approximately RMB69.5 million as compared to that as at 31 December 2016, primarily due to (i) the increase in current assets of approximately RMB13.0 million, which was primarily driven by the increase in cash and cash equivalents of approximately RMB31.9 million and the increase in inventories of approximately RMB9.8 million; and offset while partially offset by the decrease in financial assets at fair value through profit or loss of approximately RMB20.3 million and the decrease in trade and bills receivables of approximately RMB9.6 million; and (ii) the decrease in current liabilities of approximately RMB25.8 million, which was primarily driven by the decrease in amounts due to related parties of approximately RMB22.4 million and the decrease in bank borrowings of approximately RMB7.3 million.

Our net current assets increased by approximately RMB25.9 million from approximately RMB4.8 million as at 31 December 2015 to approximately RMB30.7 million as at 31 December 2016, primarily due to (i) the increase in current assets of approximately RMB30.7 million, which was primarily driven by the increase in trade and bills receivables of approximately RMB27.7 million and the increase in financial assets at fair value through profit or loss of approximately RMB7.6 million, while partially offset by the decrease in cash and cash equivalents of approximately RMB7.7 million; and offset by (ii) the increase in current liabilities of approximately RMB4.8 million, which was primarily driven by the increase in trade payables of approximately RMB20.1 million and the increase in current income tax liabilities of approximately RMB2.7 million, while partially offset by the decrease in bank borrowings of approximately RMB8.3 million, the decrease in amounts due to related parties of approximately RMB6.9 million and the decrease in receipts in advance, other payables and accruals of approximately RMB2.7 million.

For discussion on material fluctuations of our key balance sheet items during the Track Record Period, please see "Analysis on Major Components of the Consolidated Balance Sheets" in this section.

COMMITMENTS

Capital commitments

As at 31 December 2015, 2016 and 2017 and 30 April 2018, we had capital commitments of nil, approximately RMB0.7 million, nil and RMB1.4 million, respectively, in relation to the purchase of properties, plant and equipment.

Operating lease commitments

Our Group leases premises for our offices, warehouses, production plant and staff quarters under operating lease agreements during the Track Record Period. The lease terms for these premises were negotiated for terms between three to seven years, and the lease agreements are renewable at the end of the lease period.

The table below sets out our future minimum operating lease commitments under non-cancellable operating leases as at the dates indicated:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	1,563	2,558	7,635	4,829
After 1 year and no later than 5 years	10,689	7,186	5,542	5,944
	12,252	9,744	13,177	10,773

CAPITAL EXPENDITURE

During the Track Record Period, we incurred capital expenditure mainly on the additions of office equipment, plant and machinery, motor vehicles and intangible assets. Our capital expenditure amounted to approximately RMB2.1 million, RMB2.5 million, RMB5.4 million and RMB3.6 million for each of the three years ended 31 December 2017 and the four months ended 30 April 2018, respectively. These capital expenditures were funded by the cash flows from our operating activities. Between 31 December 2017 and the Latest Practicable Date, we did not make any material capital expenditure.

We expect that our total capital expenditures for the year ending 31 December 2018 to be approximately HK$21.1 million, which will be used for acquisition of additional machinery and equipment to (i) expand our production capacity and enhance our production efficiency; and (ii) upgrade our existing warehouse to an intelligent warehouse.

Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please refer to the section headed "Future plans and use of proceeds" in this prospectus for further information.

We intend to fund our planned capital expenditures through a combination of the net proceeds from the Share Offer, bank borrowings and cash flow from operating activities. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

INDEBTEDNESS

Bank borrowings

The following table sets out our Group's interest-bearing borrowings as at the dates indicated:

	As at 31 December			As at 30 April	As at 30 June
	2015	**2016**	**2017**	**2018**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Bank borrowings	20,628	12,326	5,000	13,466	12,730

As at 31 December 2015, 2016 and 2017, 30 April 2018 and 30 June 2018, our Group had bank borrowings of approximately RMB20.6 million, RMB12.3 million, RMB5.0 million, RMB13.5 million and RMB12.7 million respectively which were denominated in RMB.

As at 31 December 2015, the above borrowings are secured by properties, plant and equipment with carrying amounts of approximately RMB7.6 million; trade receivables with carrying amounts of approximately RMB2.6 million; inventories with carrying amounts of approximately RMB2.1 million; pledged bank deposits with carrying amounts of approximately RMB0.6 million; and personal guarantee from Mr. Ma and Ms. Cheng Lihong.

As at 31 December 2016, the above borrowings are secured by properties, plant and equipment with carrying amounts of approximately RMB5.4 million; inventories with carrying amounts of approximately RMB4.3 million; pledged bank deposits with carrying amounts of approximately RMB1.5 million; personal guarantee from Mr. Ma and Ms. Cheng Lihong; and corporate guarantee from a related company.

As at 31 December 2017, the above borrowings are secured by properties, plant and equipment with carrying amounts of approximately RMB4.7 million and personal guarantee from Mr. Ma.

As at 31 December 2017, the personal guarantee provided by Ms. Chen Lihong remains in place but no bank borrowings were drawn from the corresponding bank facilities.

As at 30 April 2018, the above borrowings are secured by properties, plant and equipment with carrying amounts of approximately RMB4.6 million; inventories with carrying amounts of approximately RMB8.5 million; pledged bank deposits with carrying amounts of approximately RMB4.0 million; and personal guarantee from Mr. Ma and Ms. Cheng Lihong.

As at 31 December 2015, 2016 and 2017, and 30 April 2018 our Group had unutilised banking facilities amounted to approximately RMB12.7 million, RMB22.0 million, RMB19.0 million and RMB19.0 million, respectively.

As at 30 June 2018, being the latest practicable date for determining indebtedness, our Group had total bank borrowings of approximately RMB12.7 million, which were secured by our inventories, properties, plant and equipment, a pledged bank deposit, personal guarantee from Mr. Ma and corporate guarantee from a subsidiary of our Company. As at 30 June 2018, our Group had unutilised banking facilities amounted to approximately RMB16.8 million.

As confirmed by our Directors, our Group had not defaulted or delayed any payment, and/or breached any of the finance covenants of our banking facilities during the Track Record Period and up to the Latest Practicable Date. For details of our borrowings, please see note 25 to the Accountant's Report in Appendix I to this prospectus.

Amounts due to related parties and amount due from a related party

The following table sets out our Group's amounts due to and from related parties as at the dates indicated:

	As at 31 December			As at 30 April	As at 30 June
	2015	**2016**	**2017**	**2018**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to related parties					
Payable to a Director	26,696	22,382	—	—	—
Payable to a company controlled by a Director	2,613	—	—	—	—
	29,309	22,382	—	—	—
Amount due from a related party					
Receivable from a company controlled by a Director	2,530	4,000	—	—	—

The above balances are unsecured, interest free, non-trade and repayable within the next 12 months after the end of the reporting period. These balances are not derived from operating activities.

Contingent liabilities

As at 31 December 2015, 2016, 2017 and 30 April 2018 and the Latest Practicable Date, we had no significant contingent liabilities.

Save as disclosed in "Indebtedness" in this section, we did not have, at the close of business on 30 June 2018, any loan capital issued and outstanding or agreed to be issued, 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.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the Track Record Period:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
Current ratio[1]	1.0	1.3	1.7	1.4
Quick ratio[2]	0.9	1.1	1.4	1.0
Gearing ratio[3]	88.9%	27.2%	5.8%	13.5%
Net debt to equity ratio[4]	N/A	N/A	N/A	N/A
Return on asset ratio[5]	9.9%	13.2%	15.6%	N/A[8]
Return on equity ratio[6]	60.3%	48.8%	33.0%	N/A[8]
Interest coverage ratio[7]	10.4	25.3	43.1	76.9

Notes:

(1) Current ratio is calculated by dividing current assets by current liabilities as at the respective year/period-end date.

(2) Quick ratio is calculated by dividing current assets minus inventories by current liabilities as at the respective year/period-end date.

(3) Gearing ratio is calculated by dividing total debts (being the total interest-bearing loans including banks borrowings) by total equity as at the respective year/period-end date.

(4) Net debt to equity ratio is calculated by dividing net debts (being the total interest-bearing loans including banks borrowings less cash and cash equivalents and pledged bank deposits) by total equity as at the respective year/period-end date.

(5) Return on asset ratio is calculated by dividing profit for the year/period by the total assets as at the respective year/period-end date.

(6) Return on equity ratio is calculated by dividing profit for the year/period by the total equity as at the respective year/period-end date.

(7) Interest coverage ratio is calculated by dividing profit before interest and tax by the finance expenses for the corresponding year/period.

(8) Such ratio is not applicable as it is not comparable to annual numbers.

Current and quick ratios

Our Group's current ratios were approximately 1.0, 1.3, 1.7 and 1.4 as at 31 December 2015, 2016 and 2017 and 30 April 2018, respectively while the quick ratios as at the same periods were approximately 0.9, 1.1, 1.4 and 1.0, respectively.

Current ratio and quick ratio decreased from approximately 1.7 and 1.4 as at 31 December 2017 to approximately 1.4 and 1.0 as at 30 April 2018, respectively, primarily due to the increase in current liabilities which was primarily driven by increase in trade payables of approximately RMB94.5 million, the increase in receipts in advance, other payables and accruals of approximately RMB11.5 million and the increase in bank borrowings of approximately RMB8.5 million which outweighed the increase in our current assets primarily driven by increase in trade and bills receivables of approximately RMB79.1 million and the increase in inventories of approximately RMB38.9 million while partially offset by the decrease in cash and cash equivalents of approximately RMB2.0 million. The higher level of the increase in current liabilities than in current assets resulted in a decrease in both current ratio and quick ratio as at 30 April 2018 as compared to that as at 31 December 2017.

Current ratio and quick ratio increased from approximately 1.3 and 1.1 as at 31 December 2016 to approximately 1.7 and 1.4 as at 31 December 2017, respectively, primarily due to (i) the increase in our current assets primarily driven by the increase in cash and cash equivalents of approximately RMB31.9 million and the increase in inventories of approximately RMB9.8 million, while partially offset by the decrease in financial assets at fair value through profit or loss of approximately RMB20.3 million and the decrease in trade and bills receivables of approximately RMB9.6 million and (ii) the decrease in current liabilities which was primarily driven by the decrease in amounts due to related parties of approximately RMB22.4 million and the decrease in bank borrowings of approximately RMB7.3 million. The increase in current assets as well as the decrease in current liabilities resulted in an increase in both current ratio and quick ratio as at 31 December 2017 as compared to that as at 31 December 2016.

Current ratio and quick ratio increased from approximately 1.0 and 0.9 as at 31 December 2015 to approximately 1.3 and 1.1 as at 31 December 2016, respectively, primarily due to the increase in our current assets, which was primarily driven by the increase in trade and bills receivables of approximately RMB27.7 million and the increase in financial assets at fair value through profit or loss of approximately RMB7.6 million, while partially offset by the decrease in cash and cash equivalents of approximately RMB7.7 million, which outweighed the increase in our current liabilities principally attributable by the increase in trade payables of approximately RMB20.1 million and the increase in current income tax liabilities of approximately RMB2.7 million, while partially offset by the decrease in bank borrowings of approximately RMB8.3 million, the decrease in amounts due to related parties of approximately RMB6.9 million and the decrease in receipts in advance, other payables and accruals of approximately RMB2.7 million. The higher level of the increase in current assets than in current liabilities resulted in an increase in both current ratio and quick ratio as at 31 December 2016 as compared to that as at 31 December 2015.

Gearing ratio and net debt to equity ratio

Our gearing ratio is calculated by dividing the total debts (being the total interest-bearing loans including banks borrowings) by the total equity as at the respective year/period-end date. Our Group's gearing ratios were approximately 88.9%, 27.2%, 5.8% and 13.5% as at 31 December 2015, 2016 and 2017 and 30 April 2018, respectively.

The increase in gearing ratio from approximately 5.8% as at 31 December 2017 to approximately 13.5% as at 30 April 2018 was principally attributable to the increase in bank borrowings by approximately RMB8.5 million.

The decrease in gearing ratio from approximately 27.2% as at 31 December 2016 to approximately 5.8% as at 31 December 2017 was principally attributable to the increase in the total equity by approximately RMB41.1 million driven by contribution from the profit for the year ended 31 December 2017 and the share premium arising from the issue of ordinary shares during the Reorganisation, as well as decrease in bank borrowings by approximately RMB7.3 million.

The decrease in gearing ratio from approximately 88.9% as at 31 December 2015 to approximately 27.2% as at 31 December 2016 was principally attributable to the increase in total equity by approximately RMB22.1 million driven by the contribution from the profit for the year ended 31 December 2016, as well as the decrease in bank borrowings by approximately RMB8.3 million.

Our net debt to equity ratio is calculated by dividing net debts (being the total interest-bearing loans including banks borrowings less cash and cash equivalents and restricted bank deposits) by the total equity as at the respective year-end date. During the Track Record Period, we had cash and cash equivalents and pledged bank deposits in excess of our bank borrowings.

Return on assets ratio

Our Group's return on assets ratios were approximately 9.9%, 13.2% and 15.6% for the three years ended 31 December 2017, respectively.

The increase in return on assets ratio for the year ended 31 December 2017 as compared to that of the year ended 31 December 2016 was principally attributable to the increase in profit for the year by approximately 29.1% (as mainly driven by the increase in gross profit resulted from the increase in revenue for the year ended 31 December 2017), as well as the increase in total assets by approximately 9.1% (as mainly driven by the increase in cash and cash equivalents, while partially offset by the decrease in financial assets at fair value through profit or loss). The higher level of the increase in profit for the year than in the total assets resulted in an increase in return on asset ratio as at 31 December 2017 as compared to that as at 31 December 2016.

The increase in return on assets ratio for the year ended 31 December 2016 as compared to that of the year ended 31 December 2015 was principally attributable to the increase in profit for the year by approximately 57.8% (as mainly driven by the increase in gross profit resulted from the increase in revenue for the year ended 31 December 2016), as well as the increase in the total assets by approximately 19.1% (as mainly driven by the increase in trade and bills receivables and increase in financial assets at fair value through profit or loss, while partially offset by the decrease in cash and cash equivalents and decease in properties, plant and equipment). The higher level of the increase in profit for the year than in total assets resulted in an increase in return on asset ratio as at 31 December 2016 as compared to that as at 31 December 2015.

Return on equity ratio

Our Group's return on equity ratios were approximately 60.3%, 48.8% and 33.0% for each of the three years ended 31 December 2017, respectively.

The decrease in return on equity ratio for the year ended 31 December 2017 as compared to that of the year ended 31 December 2016 was principally attributable to the increase in total equity by approximately 90.8% (as mainly driven by contribution from profit for the year ended 31 December 2017 and the share premium arising from the issue of ordinary shares during the Reorganisation), as well as the increase in profit for the year by approximately 29.1% (as mainly driven by the increase in gross profit resulted from the increase in revenue for the year ended 31 December 2017). The higher level of the increase in the total equity than the increase in profit for the year resulted in a decrease in return on equity ratio as at 31 December 2017 as compared to that as at 31 December 2016.

The decrease in return on equity ratio for the year ended 31 December 2016 as compared to that of the year ended 31 December 2015 was principally attributable to the increase in total equity by approximately 95.1% (as mainly driven by contribution from profit for the year ended 31 December 2016), as well as the increase in profit for the year by approximately 57.8% (as mainly driven by the increase in gross profit resulted from the increase in revenue for the year ended 31 December 2016). The higher level of increase in total equity than increase in profit for the year resulted in a decrease in return on equity ratio as at 31 December 2016 as compared to that as at 31 December 2015.

Interest coverage ratio

Our Group's interest coverage ratios were approximately 10.4 times, 25.3 times, 43.1 times and 76.9 times for each of the three years ended 31 December 2017 and the four months ended 30 April 2018, respectively.

The increase in interest coverage ratio from approximately 43.1 times for the year ended 31 December 2017 to approximately 76.9 times for the four months ended 30 April 2018 was principally attributable to the decrease in finance expenses by approximately 71.2% while the profit before interest and tax decreased by approximately 50.0%.

The increase in interest coverage ratio from approximately 25.3 times for the year ended 31 December 2016 to approximately 43.1 times for the year ended 31 December 2017 was principally attributable to the increase in profit before interest and tax by approximately 24.1% (as mainly driven by the increase in gross profit resulted from the increase in revenue for the year ended 31 December 2017), and the decrease in finance expenses by approximately 27.1%.

The increase in interest coverage ratio from approximately 10.4 times for the year ended 31 December 2015 to approximately 25.3 times for the year ended 31 December 2016 was principally attributable to the increase in profit before interest and tax by approximately 35.1% (as mainly driven by the increase in gross profit resulted from the increase in revenue for the year ended 31 December 2016), and the decrease in finance expenses by approximately 44.6%.

DISCLOSURE REQUIREMENT UNDER THE LISTING RULES

Our Directors confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to any disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Stock Exchange on that date.

FINANCIAL RISK MANAGEMENT

Our Group is exposed to foreign exchange risk, credit risk, interest rate risk and liquidity risk in the normal course of business. For further details of our financial risk management, please refer to note 3 of the Accountant's Report in Appendix I to this prospectus.

RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to specialise in providing PCB assembly services and full product assembly services to our customers on an EMS basis to maintain our operation in the banking and finance industry. Furthermore, we have received various purchase orders subsequent to the Track Record Period and up to the Latest Practicable Date which in aggregate required us to produce approximately 4.8 million units of products (inclusive of the purchase orders from Customer B for approximately 0.2 million units of UnionPay card acceptance terminal products). Out of such 4.8 million units of products, we had completed the production of approximately 3.9 million units up to the Latest Practicable Date (inclusive of 0.1 million units of UnionPay card acceptance terminal products for Customer B). In addition, a cooperation agreement in relation to the provision of PCB assembly services and full product assembly services for smart devices was entered into between our Group and a new customer in the PRC subsequent to the Track Record Period and up to the Latest Practicable Date.

Furthermore, we continued to explore more business opportunities for our EMS in other industries. For example, we received an order from a new customer in South Korea for providing EMS for vibration chairs in January 2018. Our Directors estimate that the mass production of these vibration chairs will commence in the second quarter of 2018. In addition, we will deploy more resources on the research and development of smart audio and video solution and mini home appliance solution, and will commence the relevant research and development works in the second quarter of 2018.

The U.S. Government proposes to impose tariffs on certain products of the PRC and the proposed list of products that would be subject to tariffs will include aerospace, information and communication technology, and machinery, etc. Nevertheless, our Directors consider that even if our Group's products, if any, will be subject to the tariffs to be imposed by the U.S. Government, it will not have any material impact on our Group's operations as (i) the revenue recorded by our Group during the Track Record Period was mainly contributed by the sales to customers in the PRC, and after the Track Record Period and up to the Latest Practicable Date, our revenue derived from U.S. customers was approximately RMB0.3 million; and (ii) as advised by our U.S. Legal Advisers, our Group's products are exported to our customers in the U.S. through shipment on a FOB basis or Free Carrier Hong Kong basis and thus, our Group does not directly import any products into the U.S. and the U.S. tariff regulations would not apply directly to our Group.

Save as disclosed in the paragraph headed "Listing Expenses" in this section, our Directors confirmed that since 30 April 2018 and up to the date of this prospectus, there was no material adverse change in the trading and financial position or prospect of our Group and no event had occurred that would materially and adversely affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

OFF BALANCE SHEET TRANSACTIONS

Our Group has not entered into any material off balance sheet transactions or arrangements during the Track Record Period.

LISTING EXPENSES

Our estimated expenses in relation to the Listing, including underwriting commissions, are approximately RMB29.8 million, of which, approximately RMB10.5 million is directly attributable to the issue of the Shares to the public and will be accounted for as a deduction from equity upon completion of the Share Offer. The remaining estimated Listing expenses of approximately RMB19.3 million, was or will be charged to profit or loss, of which approximately RMB9.9 million had been recorded in the consolidated income statement and consolidated statement of comprehensive income during the Track Record Period, and approximately RMB9.4 million is expected to be charged to profit or loss for the eight months ending 31 December 2018.

DIVIDEND

We do not have any predetermined dividend payout ratio. The declaration of dividend is subject to the discretion of our Board and the approval of our Shareholders. Our Directors may recommend a payment of dividend in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our Articles of Association and the Companies Ordinance, including the approval of our Shareholders. Any future declarations of dividend may or may not reflect our historical declarations of dividend and will be at the absolute discretion of our Directors.

We cannot assure you that we will be able to distribute dividend of the amount below or any amount, or at all, in any year. The declaration and payment of dividend may also be limited by legal restrictions and by loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future.

During the Track Record Period, we have not declared or paid any dividend to our then shareholders, and there is no assurance that dividends of any amount will be declared or be distributed in any year.

SUFFICIENCY OF WORKING CAPITAL

Our Directors are of the opinion that after taking into account, the existing financial resources available to our Group including internally generated funds from operating activities, existing banking facilities and the estimated net proceeds from the Share Offer, our Group has sufficient working capital for its present requirements for the next 12 months from the date of this prospectus.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain related party transactions in the normal course of business. These transactions were conducted in accordance with terms as agreed between us and the respective related parties. Our Directors have confirmed that all related party transactions during the Track Record Period were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were reasonable and in the interest of our Group as a whole. Our Directors further confirmed that these related party transactions would not distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance. For more information on our related party transactions, please refer to note 28 to the Accountant's Report in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted combined net tangible assets, which was prepared to illustrate the effect of the Share Offer on the consolidated net tangible assets of our Group attributable to owners of our Company as of 30 April 2018 as if the Share Offer had taken place on 30 April 2018, was approximately HK$0.736 per Share (based on an Offer Price of HK$1.70 per Share) and approximately HK$0.772 per Share (based on an Offer Price of HK$2.00 per Share). Please refer to Appendix II to this prospectus for details.

DISTRIBUTABLE RESERVES

As at 30 April 2018, distributable reserves of our Company available for distribution to our shareholders, representing share premium net of accumulated losses, amounted to approximately RMB2.7 million.

MATERIAL ADVERSE CHANGE

Despite the absence of any material adverse change in our business since the end of the Track Record Period, we expect that our profit for 2018 will be lower than that for 2017 primarily due to higher administrative expenses as a result of the fees to be incurred as a consequence of the listing on the Stock Exchange, such as those set out in the paragraph headed "Listing Expenses" in this section.

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the paragraphs headed "Business — Business strategies" in this prospectus for our Group's business objectives and strategies.

USE OF PROCEEDS

For the period from the Listing Date to 30 June 2021, our net proceeds from the Share Offer will be used as follows:

	From the Listing Date to 31 December 2018	**From 1 January 2019 to 30 June 2019**	**From 1 July 2019 to 31 December 2019**	**From 1 January 2020 to 30 June 2020**	**From 1 July 2020 to 31 December 2020**	**From 1 January 2021 to 30 June 2021**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Expand our production capacity and enhance our production efficiency	12,583.1	27,683.8	23,923.1	4,254.9	480.0	480.0	69,404.9
Lease the New Premises to align with our production capacity expansion and upgrade our existing warehouse to be intelligent warehouse	3,767.0	5,041.6	7,427.3	831.8	831.8	831.8	18,731.3
Further strengthen our research and development capabilities	282.4	621.2	677.6	1,101.2	1,101.2	1,101.2	4,884.8
Upgrade our ERP system and enhance our capabilities in information technology	197.6	741.1	1,044.7	889.4	360.0	360.0	3,592.8
General working capital	1,136.2	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	7,136.2
							103,750.0

Based on the Offer Price of HK$1.85 per Offer Share, being the mid-point of the indicative Offer Price range of HK$1.70 per Offer Share to HK$2.00 per Offer Share, the net proceeds from the Share Offer are estimated to be approximately HK$103.8 million, after deducting the estimated Listing expenses, paid and payable by our Company from the gross proceeds of the Public Offer.

Our Directors intend to apply such net proceeds as follows:

- approximately HK$69.4 million, representing approximately 66.9% of the net proceeds, will be used for expanding our production capacity and enhancing our production efficiency; of which approximately HK$37.7 million will be allocated for acquisition of additional machinery and equipment to upgrade three SMT assembly lines; approximately HK$25.2 million will be allocated for acquisition of additional machinery and equipment to set up two additional SMT assembly lines; approximately HK$4.6 million will be allocated for the acquisition of additional machinery and equipment to set up four automated testing lines; and approximately HK$1.9 million will be allocated for recruiting four workers to operate the additional automated test lines, in order to increase our production capacity to cope with the simultaneous growth of the electronic product market and to capture the business opportunities to optimise our profitability. The following table sets out the details of the additional machinery and equipment to be acquired to upgrade three existing SMT assembly lines and to set up two additional SMT assembly lines and four automated testing lines:

Additional machinery and equipment	**Number of units**	**Estimated costs** *(HK$'000)*
(a) *For upgrading three existing SMT assembly lines (Note)*		
Back to back configurable momentum printer	3	2,066.6
Three-dimensional solder paste printing inspection machine (double track)	3	1,502.9
AOI Inspector	6	2,745.2
Double track reflow oven	3	2,427.5
High-speed multi-function modular placing machine (2M III base)	9	12,431.6
High-speed multi-function modular placing machine (4M III base)	6	16,575.5
Subtotal:		37,749.3
(b) *For setting up two additional SMT assembly lines*		
Back to back configurable momentum printer	2	1,377.3
Three-dimensional solder paste printing inspection machine (double track)	2	1,002.0
AOI inspector	4	1,830.2
Double track reflow oven	2	1,618.4
High-speed multi-function modular placing machine (2M III base)	6	8,287.8
High-speed multi-function modular placing machine (4M III base)	4	11,050.4
Subtotal:		25,166.1
(c) *For setting up four additional automated testing lines*		
ICT (in-circuit test) machine	4	4,611.8
		67,527.2

Note: As at 30 April 2018, the average age of the three existing SMT assembly lines to be upgraded was approximately 8.7 years.

- approximately HK$18.7 million, representing approximately 18.0% of the net proceeds, will be used for leasing the New Premises, setting up an additional intelligent warehouse therein, converting our existing warehouse to be intelligent warehouse and recruiting one technical staff to operate and maintain the intelligent warehouse. Of the said sum of approximately HK$18.7 million, approximately HK$7.3 million will be allocated to convert our existing warehouse to be intelligent warehouse; HK$10.7 million will be utilised for the lease of the New Premises and setting up an additional intelligent warehouse therein; and approximately HK$0.7 million will be allocated to recruit one technical staff to operate and maintain the intelligent warehouse. The following table set out the breakdown of amount of net proceeds to be used for such purpose:

	From the Listing Date to 31 December 2018	From 1 January 2019 to 30 June 2019	From 1 July 2019 to 31 December 2019	From 1 January 2020 to 30 June 2020	From 1 July 2020 to 31 December 2020	From 1 January 2021 to 30 June 2021	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Costs of upgrading our existing warehouse to be an intelligent warehouse							
- Six smart storages for SMT material	2,322.4	1,393.3	928.9	—	—	—	4,644.6
- 10 automated guided vehicles	287.1	172.3	114.9	—	—	—	574.3
- Three six-axis robot arms	1,058.8	635.3	423.4	—	—	—	2,117.5
Rental expense for the New Premises	—	533.8	711.8	711.8	711.8	711.8	3,381.0
Costs of setting up an additional intelligent warehouse in the New Premises							
- Six smart storages for SMT material	—	1,393.3	3,251.3	—	—	—	4,644.6
- 10 automated guided vehicles	—	172.3	402.0	—	—	—	574.3
- Three six-axis robot arms	—	635.3	1,482.2	—	—	—	2,117.5
Costs for recruiting one technical staff to operate and maintain the intelligent warehouse	98.7	106.0	112.8	120.0	120.0	120.0	677.5
							18,731.3

- approximately HK$4.9 million, representing approximately 4.7% of the net proceeds, will be used for strengthening our research and development capabilities by recruiting an addition of six skilled research technicians.

The table below sets forth our Group's plan on the six skilled research technicians to be employed:-

Position	**Number**	**Specific qualification and/or requirements to be imposed by our Group**	**Monthly salary** *HK$'000 (approximately)*
Skilled research technician	Six	Must have: 1. a university degree or diploma in electronic, mechanical or related majors; and 2. at least three years working experience in research and development of electronics and mechanical hardware	23.5

- approximately HK$3.6 million, representing approximately 3.5% of the net proceeds, will be used to upgrade our ERP system and capabilities in information technology; of which HK$1.8 million will be used to upgrade our ERP system; and approximately HK$1.8 million will be used to recruit one technical staff to operate and maintain the ERP system; and

- approximately HK$7.2 million, representing approximately 6.9% of the net proceeds, will be used as general working capital of our Group.

The above allocation of the net proceeds from the Share Offer will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher level or a lower level compared to the midpoint of the indicative Offer Price range.

If the final Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds to be received by us from the Share Offer will increase or decrease by approximately HK$10.7 million, respectively. In such event, the net proceeds will be used in the same proportion as disclosed above irrespective of whether the Offer Price is determined at the highest or lowest of the indicative Offer Price range.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks or authorised financial institutions for so long as it is in our best interests.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/ or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, our Group will issue an announcement in accordance with the Listing Rules.

IMPLEMENTATION PLANS

In pursuance of the above business objectives, the implementation plans of our Group are set forth below from the Listing Date to 31 December 2018 and for each of the six-month periods until 30 June 2021. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to the paragraphs headed "Bases and assumptions" in this section below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed "Risk factors" of this prospectus.

The net proceeds from the Share Offer to our Company (after deduction of underwriting fees and estimated expenses payable by us in relation to the Share Offer) are estimated to be approximately HK$103.8 million. It is estimated that the total Listing expenses of approximately HK$35 million will be incurred. Our Directors presently intend to apply such net proceeds as follows:

(a) From the Listing Date to 31 December 2018

Business Strategies	**Implementation activities**	**Proceeds** *HK$'000*
Expand our production capacity and enhance our production efficiency	Acquiring new machinery and equipment for upgrade one SMT assembly line	12,583.1
Lease the New Premises to align with our production capacity expansion and upgrade our existing warehouse to be intelligent warehouse	— Upgrading our existing warehouse to be intelligent warehouse	3,668.3
	— Recruiting one technical staff to operate and maintain the warehouse	98.7
Further strengthen our research and development capabilities	Recruiting two skilled research technicians	282.4
Upgrade our ERP system and enhance our capabilities in information technology	Recruiting two technical staff to operate and maintain the ERP system	197.6
Working capital	General working capital	1,136.2
		17,966.3

(b) From 1 January 2019 to 30 June 2019

Business Strategies	**Implementation activities**	**Proceeds**
		HK$'000
Expand our production capacity and enhance our production efficiency	— Acquiring new machinery and equipment for	
	(i) upgrading one SMT assembly line;	12,583.1
	(ii) setting up one additional SMT assembly lines; and	12,583.1
	(iii) setting up two automated testing lines	2,305.9
	— Recruiting two additional workers to operate the automated testing lines	211.7
Lease the New Premises to align with our production capacity expansion and upgrade our existing warehouse to be intelligent warehouse	— Upgrading our existing warehouse to be intelligent warehouse	2,200.9
	— Rental expense for the New Premises	533.8
	— Setting up an additional intelligent warehouse in the New Premises	2,200.9
	— Staff costs for retaining the aforesaid additional staff for operation and maintenance of the intelligent warehouse	106.0
Further strengthen our research and development capabilities	— Recruiting two skilled research technicians	310.6
	— Staff costs for retaining the aforesaid additional skilled research technicians	310.6
Upgrade our ERP system and enhance our capabilities in information technology	— Upgrade our ERP system and capabilities in information technology	529.4
	— Staff costs for retaining the aforesaid additional staff for operation and maintenance of the ERP system	211.7
Working capital	General working capital	1,200.0
		35,287.7

(c) From 1 July 2019 to 31 December 2019

Business Strategies	Implementation activities	Proceeds *HK$'000*
Expand our production capacity and enhance our production efficiency	Acquiring new machinery and equipment for	
	— upgrading one SMT assembly line;	12,583.1
	— setting up the second additional SMT assembly line (1st phase) ; and	8,808.1
	— setting up two automated testing lines	2,305.9
	— Staff costs for retaining the aforesaid additional workers for operation of the new automated testing lines	226.0
Lease the New Premises to align with our production capacity expansion and upgrade our existing warehouse to be intelligent warehouse	— Upgrading our existing warehouse to be intelligent warehouse	1,467.2
	— Rental expense for the New Premises	711.8
	— Setting up an additional intelligent warehouse in the New Premises	5,135.5
	— Staff costs for retaining the aforesaid additional staff for operation and maintenance of the intelligent warehouse	112.8
Further strengthen our research and development capabilities	Staff costs for retaining the aforesaid additional skilled research technicians	677.6
Upgrade our ERP system and enhance our capabilities in information technology	— Upgrade our ERP system and capabilities in information technology	705.9
	— Recruiting one additional technical staff to operate the ERP system	112.9
	— Staff costs for retaining the aforesaid additional staff for operation and maintenance of the ERP system	225.9
Working capital	General working capital	1,200.0
		34,272.7

(d) From 1 January 2020 to 30 June 2020

Business Strategies	Implementation activities	Proceeds
		HK$'000
Expand our production capacity and enhance our production efficiency	— Acquiring new machinery and equipment for setting up the second additional SMT assembly line (2nd phase)	3,774.9
	— Recruiting two additional workers to operate the automated testing lines	240.0
	— Staff costs for retaining the aforesaid additional workers to operate the automated testing lines	240.0
Lease the New Premises to align with our production capacity expansion and upgrade our existing warehouse to be intelligent warehouse	— Rental expense for the New Premises	711.8
	— Staff costs for retaining the aforesaid staff for operation and maintenance of the intelligent warehouse	120.0
Further strengthen our research and development capabilities	— Recruiting two skilled research technicians	367.1
	— Staff costs for retaining the aforesaid additional skilled research technicians	734.1
Upgrade our ERP system and enhance our capabilities in information technology	— Upgrade our ERP system and capabilities in information technology	529.4
	— Staff costs for retaining the additional staff for operation and maintenance of the ERP system	360.0
Working capital	General working capital	1,200.0
		8,277.3

(e) From 1 July 2020 to 31 December 2020

Business Strategies	Implementation activities	Proceeds *HK$'000*
Expand our production capacity and enhance our production efficiency	— Staff costs for retaining the additional workers to operate the additional automated testing lines	480.0
Lease the New Premises to align with our production capacity expansion and upgrade our existing warehouse to be intelligent warehouse	— Rental expense for the New Premises	711.8
	— Staff costs for retaining the aforesaid additional staff for operation and maintenance of intelligent warehouse	120.0
Further strengthen our research and development capabilities	— Staff costs for retaining the aforesaid additional skilled research technicians	1,101.2
Upgrade our ERP system and enhance our capabilities in information technology	— Staff costs for retaining the additional staff for operation and maintenance of the ERP system	360.0
Working capital	General working capital	1,200.0
		3,973.0

(f) From 1 January 2021 to 30 June 2021

Business Strategies	**Implementation activities**	**Proceeds** *HK$'000*
Expand our production capacity and enhance our production efficiency	— Staff costs for retaining the additional workers to operate the additional automated testing lines	480.0
Lease the New Premises to align with our production capacity expansion and upgrade our existing warehouse to be intelligent warehouse	— Rental expense for the New Premises	711.8
	— Staff costs for retaining the aforesaid additional staff for operation and maintenance of intelligent warehouse	120.0
Further strengthen our research and development capabilities	— Staff costs for retaining the aforesaid additional skilled research technicians	1,101.2
Upgrade our ERP system and enhance our capabilities in information technology	— Staff costs for retaining the additional staff for operation and maintenance of the ERP system	360.0
Working capital	General working capital	1,200.0
		3,973.0

BASES AND ASSUMPTIONS

Our Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 30 June 2021:

(a) Our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate.

(b) There will be no material change in the funding requirement for each of our Group's future plans described in this prospectus from the amount as estimated by our Directors.

(c) There will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates.

(d) There will be no material changes in the bases or rates of taxation in Hong Kong or in any other places in which any member of our Group operates or will operate or is incorporated.

(e) The Share Offer will be completed in accordance with and as described in the section headed "Structure and conditions of the Share Offer" to this prospectus.

(f) There will be no change in the effectiveness of the licenses, permits and qualifications obtained by our Group.

(g) There will be no material changes in the bases or rates of taxation applicable to the activities of our Group.

(h) Our Group will be able to retain our customers and suppliers.

(i) Our Group will be able to retain key staff in the management and main operational departments.

(j) There will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group.

(k) Our Group will not be materially affected by the risk factors as set out under the section headed "Risk factors" in this prospectus.

REASONS FOR THE LISTING

Our Directors believe the Listing will enhance our Group's profile and the net proceeds from the Share Offer will strengthen our financial position and will enable our Group to implement our business strategies set out in the sections headed "Business — Business Strategies" in this prospectus and to capture the anticipated growth of the EMS industry in the PRC. The reasons of the Listing are set out herein below:

(A) Facilitate the implementation of our business strategies

Our Directors believe that there will be a steady growth of the electronic product industry and the EMS market in the PRC. According to the Frost & Sullivan Report, the PRC has overtaken the United States as the world's largest electronic product market in terms of sales value since 2015. The sale value of electronic product market in the PRC has grown from US$394.0 billion in 2013 to US$457.3 billion in 2017 with a CAGR of 3.8%. It is forecast that the sales value of electronics product market in the PRC will reach US$558.7 billion in 2022 with a CAGR of 4.1% from 2017 to 2022 and the PRC will account for 25.5% of the entire global market in terms of sales value. Furthermore, with the booming domestic demand for electronic products, advances in manufacturing technology and the offering of more value-add services, the market size of EMS industry in the PRC will continue to grow at a CAGR of 7.5% during 2017 to 2022 and reach RMB1,936.8 billion in 2022. In view of the overall industry growth and in order to capture the market opportunities in the PRC, we have formulated business strategies to develop our Group's sales channels for our PCBAs to customers (mainly manufacturers of electronic products for the financial and banking industry, telecommunication products and smart devices) in the PRC. Our Directors recognise the need for further capital to expand our business in order to maintain our position in the competitive EMS market in the PRC and capture more market share.

As such, our Directors believe that the Listing will allow us to capture more market share in the industry albeit intense competition within the industry by effective implementation of our business strategies.

(i) Expanding our production capacity by expanding our Shenzhen Production Plant

The utilisation rate of our SMT assembly lines in our Shenzhen Production Plant reached approximately 92.6% as at 30 April 2018. It is imperative for us to expand the production capacity of our Shenzhen Production Plant in order to align with our business growth and capture the business opportunities arising from the growth of the EMS market and the electronic product industry in the PRC.

We have earmarked a sum of approximately HK$69.4 million from the proceeds of the Share Offer for upgrading and acquiring new machinery and equipment in phases for upgrading three existing SMT lines setting up two additional SMT assembly lines and four automated testing lines and for recruiting four skilled workers to operate the four additional automated testing lines. When the new machinery and equipment operate in full swing, the production capacity of our SMT production lines will increase by approximately 7,665 hours by the end of 2019 and 13,440 hours by the end of 2020 (inclusive of the projected increase of approximately 7,665 hours in 2019).

Based on our gross profit ratio of approximately 16.3% for the year ended 31 December 2017 and the expected growth in the electronic product industry in the PRC, we are confident that we can fully cover the aforesaid additional cost to be incurred.

(ii) Lease the New Premises to align with our production capacity expansion and set up intelligent warehouses

During the Track Record Period, our Group recorded:

(i) an increase in total purchase of raw materials from RMB94.2 million for the year ended 31 December 2015 to approximately RMB249.6 million for the year ended 31 December 2017 while our purchase of raw materials increased to approximately RMB166.8 million for the four months ended 30 April 2018 as compared to approximately RMB119.5 million for the four months ended 30 April 2017;

(ii) an increase in amount of inventory from RMB22.1 million as at 31 December 2015 to RMB70.3 million as at 30 April 2018; and

(iii) an increase in amount of average inventory turnover from 28.5 days for the year ended 31 December 2015 to 39.8 day as at 30 April 2018,

and the above increasing trends reveal our Group's need for further space for production and warehousing. Our Shenzhen Production Plant had been running nearly at full capacity and we plan to lease the New Premises, being the premises of approximately 6,700 sq.m. near our Shenzhen Production Plant. On the other hand, the rental per sq.m. of our Shenzhen Production Plant (at which our current warehouse is located) increased from RMB 8.0 for the period from 1 April 2013 to 31 March 2017 to RMB10.0 as at the Latest

Practicable Date. In view of our need for more space to prepare for our expansion in operation and the significant increase in the rental of our Shenzhen Production Plant, our Directors believe that it is imperative for us to lease the New Premises and it would be more cost-effective to introduce an intelligent warehouse system by applying RFID technology to our Shenzhen Production Plant to enhance our inventory management.

By employing RFID technology, the intelligent warehouse management portal enables real time tracking of information in relation to our inventory logistics in each production process. The RFID electronic label, with the warehouse reader/writer retrieving the pallet label information, provides our staff with automatically updated inventory, order and status information and helps us to meet delivery dates reliably and shorten throughput times.

Furthermore, the intelligent warehouse will be equipped with highly automated machinery such as automated guided vehicles and six-axis robot arms to enable efficient stacking and flowing of inventory, which can help reduce our inventory level, avoid building up of obsolete stock and reduce our demand of warehouse labour.

According to the suppliers of the intelligent warehouse system, they would require around 60 working days to set up an intelligent warehouse. As the conversion of our current warehouse to intelligent warehouse and the setting up of an additional intelligent warehouse in the New Premises will be carried out consecutively, and will be commenced in the second half of 2018 and first half of 2019 respectively, our Directors believe that there will not be any material disruption to our production process.

(iii) Recruitment of technical staff to strengthen our research and development capabilities

To align with our plan to set up and manage the intelligent warehouses, we need to recruit additional technical staff. The table below sets forth our Group's plan on the one technical staff to be employed:

Position	Number	Specific qualification and/or requirements to be imposed by our Group	Monthly salary
			HK$'000 (approximately)
Technical staff	one	Must have: 1. a university degree or diploma in automation, mechanical and electrical integration, computer and other related majors; and 2. at least three years working experience in automated equipment production management, enterprise network management and server management.	16.5

(iv) Upgrade our ERP system and enhance our capabilities in information technology

An advanced ERP system enables us to collect, store, manage and interpret data from our business activities. It can also track our business resources, including cash, raw materials, production capacity and the status of business commitment such as our sales orders, purchase orders and payroll in a timely manner. These functions of the upgraded ERP system are particularly useful for us to plan and iron out our expansion plan. For details, please see the paragraph head "Business — Upgrade our ERP system and enhance our capabilities in information technology" in this prospectus.

(B) Need for equity financing

Our Group's significant cash outflow exposure: Although our business generated net operating cash inflow, it does not necessarily mean that our Group has no imminent needs to raise funds in order to implement our business strategies. Taking into account the fact that (i) our Group only had cash and cash equivalents of approximately RMB27.7 million as at 30 June 2018; (ii) our trade payables were approximately RMB164.5 million as at 30 June 2018; (iii) the amount of bank borrowings repayable within one year as at 30 June 2018 was approximately RMB12.7 million; and (iv) our Group's significant cash outflow exposure including the mismatch in the time between receipt of payments from our customers and payments to our suppliers, external logistics companies and staff costs, our Directors believe our Group may not have sufficient internal generated funds to finance our expansion plan while at the same time maintaining sufficient working capital for our Group's operation.

Being a private company, our financial resources rely largely on the financial strength of our Controlling Shareholders and bank facilities, which substantially restrict our Group's development and expansion plan. Our Directors therefore consider it beneficial for us to strengthen our capital base through raising funds under the Share Offer so that we would be able to tender for more projects with larger contract sums and in turn expand the scale of our business after the Listing.

(C) Commercial rationale for listing

i. Strengthening our Group's corporate profile, credibility and competitiveness

Our Directors believe that a listing status will enhance our credibility with suppliers and customers, and thus enhance our level of competitiveness in securing customers' contracts. The increased level of information transparency after the Listing will also give our existing and prospective customers and suppliers the public access to our Group's corporate and financial information, which could generate further confidence in our Group among them. The status of being a listed company on Main Board of the Stock Exchange in Hong Kong will also raise our Group's reputation amongst our competitors, which will help implement our business strategies and expand our customer base and market share within the industry. With such status, our Group can be differentiated from other competitors during the contracting process and we can enhance our ability to attract and engage sizeable customers with sizeable operations.

ii. The listing status provides an equity fund-raising platform for our Group

Although our Group was able to successfully expand our business using internally generated funds and bank borrowings during the Track Record Period and has been able to repay bank loans as they fell due in the past, our Group still plans to seek equity fund raising instead of continuing to use the historical capital structure to fund our future growth as the latter will place undue financial burden on our Group in terms of cash flow if we are to apply all our internal capital resources or bank loans for growth purpose. Our Directors anticipated that additional bank borrowings to our Group would be needed for our expansion. The Share Offer, which allows us to access the capital market for fund raising, will assist our future business development and strengthen our competitiveness. Subsequent to the Listing, we will also have access to secondary market fund raising for our future expansion plans through the issuance of equity and/or debt securities.

By strengthening our financial position through fund-raising, we will also have more bargaining power when negotiating terms with our suppliers for manufacturing materials, and with other business partners, if any. Our Group will be able to maintain a lower level of gearing ratio.

iii. Diversification of shareholder base and enhance liquidity in trading of Shares

Our Directors take the view that the Listing will enhance the liquidity of the Shares which will be freely traded in the Stock Exchange when compared to the limited liquidity of shares that are privately held before the Listing. Hence, our Directors consider that the Share Offer will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the trading of the Shares.

Although the amount of expenses for the Listing represents a significant proportion of the gross proceeds from the Listing, such expenses are non-recurring by nature for which we would not have to pay following the completion of the Listing.

UNDERWRITERS

Public Offer Underwriters and Placing Underwriters

Supreme China Securities Limited
Koala Securities Limited
Yellow River Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and to the satisfaction of certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for the Public Offer Shares are subject to termination. The Sole Bookrunner (for itself and on behalf of the Public Offer Underwriter(s)) shall have the absolute discretion to terminate the arrangements set out in the Public Offer Underwriting Agreement by notice in writing given to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the "**Termination Time**"), if any of the following events shall occur prior to the Termination Time:

1. There comes to the notice of the Sole Bookrunner:

   (a) any matter or event showing any of the representations, warranties, agreements and undertakings given to the Public Offer Underwriters under the Public Offer Underwriting Agreement (the "**Warranties**") to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the Warranties or any other provisions of the Public Offer Underwriting Agreement by any party to the Public Offer Underwriting Agreement other than the Sole Sponsor, the Joint Lead Managers and the Public Offer Underwriters which, in any such cases, is considered, in the reasonable opinion of the Sole Bookrunner, to be material in the context of the Public Offer; or

(b) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect which is considered, in the reasonable opinion of the Sole Bookrunner, to be material in the context of the Public Offer; or

(c) any event, series of events, matters or circumstances occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the Warranties untrue, incorrect or misleading in any material respect, and which is considered, in the reasonable opinion of the Sole Bookrunner to be material in the context of the Public Offer; or

(d) any matter which, had arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the reasonable opinion of the Sole Bookrunner, a material omission in the context of the Public Offer; or

(e) any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Company and any of the executive Directors and the Controlling Shareholders arising out of or in connection with the breach of any of the Warranties; or

(f) any breach by any party to the Public Offer Underwriting Agreement other than the Sole Sponsor, the Joint Lead Managers and the Public Offer Underwriters of any provision of the Public Offer Underwriting Agreement which, in the reasonable opinion of the Sole Bookrunner, is material;

2. There shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:

(a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC, BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business of our Group; or

(b) any change in, or any event or series of events or development resulting or likely to result in any change in Hong Kong, the PRC, BVI, the Cayman Islands or any of the jurisdictions relevant to the business of our Group, the local, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or

(c) any adverse change in the conditions of Hong Kong or international equity securities or other financial markets; or

(d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or

(e) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the PRC, BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to our Group's business; or

(f) any adverse change or prospective adverse change in the business, or in the financial or trading position, or prospects of any member of our Group; or

(g) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the U.S. or by the European Union (or any member thereof) on Hong Kong or the PRC; or

(h) a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or

(i) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out;

which in the reasonable opinion of the Sole Bookrunner acting in good faith:

(a) is or will be, or is likely to be, adverse, in any material respect, to the business, financial or other condition or prospects of our Group taken as a whole; or

(b) has or will have or is reasonably likely to have a material adverse effect on the success of the Share Offer or the level of the Offer Shares being applied for or accepted, or the distribution of the Offer Shares; or

(c) makes it impracticable, inadvisable or inexpedient for the Public Offer Underwriters to proceed with the Public Offer as a whole.

For the above purpose:

(a) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the U.S. or a material devaluation of the Renminbi against any foreign currencies shall be taken as an event resulting in a change in currency conditions; and

(b) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

Undertakings to the Stock Exchange pursuant to the Listing Rules

By our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, we will not allot or issue any Shares or other securities convertible into equity securities of the Company (including warrants or other convertible securities), whether or not of a class already listed, or enter into any agreement to such 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 for the circumstances as prescribed under Rule 10.08(1) to (5) of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that, except pursuant to the Share Offer, it/he/she shall not and shall procure that the relevant registered shareholder(s) shall not:

(a) in the period commencing on the date by reference to which disclosure of its/his/her shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of the Company in respect of which it/he/she is shown by this prospectus to be the beneficial owners; or

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of the Company referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, each of our Controlling Shareholders would cease to be controlling shareholders (as defined in the Listing Rules).

Each of the Controlling Shareholders has also undertaken to the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of its/his/her shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he/she will:

(a) when it/he/she pledges or charges any securities of our Company beneficially owned by it/him/her in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when it/he/she receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities or interests in any securities of our Company will be disposed of, immediately inform us of such indications.

Our Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the Listing Rules as soon as possible.

Undertakings pursuant to the Public Offer Underwriting Agreement

By our Company

Except pursuant to the Capitalisation Issue, the Share Option Scheme and the Share Offer, our Company has undertaken to each of the Sole Bookrunner, the Joint Lead Managers, the Public Offer Underwriters and the Sole Sponsor not to, and each of our Company, our Controlling Shareholders and executive Directors undertakes to procure each other member of our Group not to, without the prior written consent of the Sole Bookrunner (on behalf of the Public Offer Underwriters), such consent not to be unreasonably withheld or delayed, in compliance with the requirements of the Listing Rules, inter alia:

(i) allot or issue, or agree to allot or issue, Shares or other securities of our Company (including warrants or other convertible or exchangeable securities) or grant or agree to grant any options, warrants, or other rights to subscribe for or convertible or exchangeable into Shares or other securities of our Company; or

(ii) repurchase Shares or other securities of our Company or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence of ownership of any Shares or offer to or agree to do any of the foregoing or announce any intention to do so,

during the six months immediately following the Listing Date (the "**First Six-month Period**").

In the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-month Period (the "**Second Six-month Period**"), it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

By our Controlling Shareholders

Each of the Controlling Shareholders has jointly and severally undertaken to each of the Sole Bookrunner, our Company, the Sole Sponsor, the Joint Lead Managers and the Public Offer Underwriters that during the First Six-month Period, it/he/she shall not, and shall procure that the relevant registered holder(s) and its/his/her associates and companies controlled by it/he/she and any nominee or trustee holding in trust for it/he/she shall not, without the prior written consent of the Sole Bookrunner unless otherwise in compliance with the requirements of the Listing Rules:

(i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares in respect of which it or he or she is shown in this prospectus to be directly or indirectly interested in (the "**Relevant Securities**"); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Relevant Securities or such other securities, in cash or otherwise; or

(iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or

(iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above.

Each of the Controlling Shareholders has jointly and severally undertaken to the Sole Bookrunner, our Company, the Sole Sponsor, the Joint Lead Managers and the Public Offer Underwriters that it/he/she shall not, and shall procure that the relevant registered holder(s) and its/his/her associates or companies controlled by it/him/her and any nominee or trustee holding in trust for it or him or her shall not, without the prior written consent of the Stock Exchange in the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by it/him/her or any of its or his or her associates or companies controlled by it or him or her or any nominee or trustee holding in trust for it or him or her if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it or he or she would cease to be a Controlling Shareholder or would together with the other Controlling Shareholders cease to be, or be regarded as, Controlling Shareholders on a collective basis.

In the event of a disposal of any of the Shares or securities of our Company directly or indirectly beneficially owned by it or him or her or any interest therein within the Second Six-month Period, the relevant Controlling Shareholder shall take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for any Shares or other securities of our Company. The relevant Controlling Shareholders shall, and shall procure that its/his/her associates and companies controlled by any nominees or trustees holding in trust for it/him/her shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/him/her or by the registered holder controlled by it/him/her of any Shares.

Each of the Controlling Shareholders has further undertaken to each of the Sole Bookrunner, our Company, the Sole Sponsor, the Joint Lead Managers and the Public Offer Underwriters that within the first twelve months from the Listing Date, it or he or she will:

(i) when it or he or she pledges or charges any securities or interests in the securities of our Company beneficially owned by it or him or her directly or indirectly, immediately inform our Company and the Sole Bookrunner in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and

(ii) when it or he or she receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Bookrunner in writing of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters above (if any) by the Controlling Shareholders and disclose such matters by way of a press announcement.

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriter(s), on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriter(s) will severally agree to subscribe or procure subscribers for the Placing Shares being offered pursuant to the Placing.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company, our executive Directors and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph headed "Underwriting arrangements and expenses — Public Offer Underwriting Agreement — Undertakings pursuant to the Public Offer Underwriting Agreement" in this section.

It is expected that each of our Controlling Shareholders will undertake to the Placing Underwriter(s) not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the Shares held by him/her/it in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraph "Underwriting arrangements and expenses — Public Offer Underwriting Agreement — Undertakings pursuant to the Public Offer Underwriting Agreement" in this section.

Commission and expenses

The Underwriters will receive a gross commission of 5% on the aggregate Offer Price of all the Offer Shares now being offered, out of which will, as the case may be, be applied to any sub-underwriting commissions and selling concession. The underwriting commission, documentation fee, Stock Exchange listing fees, brokerage, Stock Exchange trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expense relating to the Share Offer are estimated to be approximately HK$35 million in aggregate (based on an Offer Price of HK$1.85 per Share, being the mid-point of Offer Price range of HK$1.70 and HK$2.00) and is paid or payable by our Company.

Underwriters' interests in our Company

Save for its interests and obligations under the Underwriting Agreements and save as disclosed in this prospectus, none of the Underwriters or any of its associates is interested beneficially or non-beneficially in any shares in any member of our Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares of any member of our Group.

Sole Sponsor's interest in our Company

Dakin Capital, being the Sole Sponsor, has declared its independence pursuant to Rule 3A.07 of the Listing Rules. Save for the advisory and documentation fees to be paid to Dakin Capital as the Sole Sponsor to the Share Offer, its obligations under the Underwriting Agreements and any interests in securities that may be subscribed by it pursuant to the Share Offer, neither Dakin Capital nor any of its associates has or may, as a result of the Share Offer, have any interest in any class of securities of our Company or any other company in our Group (including options or rights to subscribe for such securities).

No director or employee of Dakin Capital who is involved in providing advice to our Company has or may, as a result of the Share Offer, have any interest in any class of securities of our Company or other company in our Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Share Offer).

No director or employee of Dakin Capital has a directorship in our Company or any other company in our Group.

Restrictions on Offer Shares

No action has been taken to permit a public offering of the Offer Shares other than in Public Offer, or the distribution of this prospectus in any jurisdiction other than Hong Kong.

Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

STRUCTURE OF THE SHARE OFFER

The Share Offer comprises:

(i) the Public Offer of an aggregate of 7,500,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described under the paragraph headed "The Public Offer" below; and

(ii) the Placing of 67,500,000 Placing Shares (subject to reallocation as mentioned below) which will conditionally be placed with selected professional, institutional and other investors under the Placing.

Investors may apply for the Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for the Offer Shares under the Placing, but may not do both. The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (but without taking into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme). The number of Offer Shares to be offered under the Public Offer and the Placing, respectively, may be subject to reallocation as mentioned below.

CONDITIONS OF THE SHARE OFFER

The Share Offer is conditional upon, among other things:

(i) the Listing Committee of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be allotted and issued as mentioned in this prospectus, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(ii) the Offer Price having been duly determined; and

(iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Bookrunner (for itself and on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with its terms,

in each case, on or before the dates and times specified in the 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 30th day after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.szeternity.com** on the next business day following such lapse.

THE PUBLIC OFFER

Number of Shares initially offered

We are initially offering 7,500,000 Public Offer Shares at the Offer Price, representing 10% of the Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to reallocation of Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Public Offer will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, and without taking into account Shares which may be issued upon exercise of options as may be granted under the Share Option Scheme. The Public Offer is open to members of the public in Hong Kong as well as to institutional professional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Share Offer" in this section.

Allocation

For allocation purpose only, the Public Offer Shares initially being offered for subscription under the Public Offer (after taking into account any adjustment in the number of Offer Shares allocation between the Public Offer and the Placing) will be divided equally into two pools (subject to adjustment of odd lot size) . Pool A will comprise 3,750,000 Public Offer Shares and Pool B will comprise 3,750,000 Public Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of HK$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of over HK$5 million and up to the total value of Pool B will fall into Pool B.

Applicants should be aware that the applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in Pool A or Pool B. In addition, multiple or suspected multiple applications with either pool or between pools will be rejected. No application will be accepted from applicants for more than 3,750,000 Public Offer Shares (being 50% of the initial number of Public Offer Shares).

Reallocation

Allocation of the Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

(a) Where the Placing Shares are fully subscribed or oversubscribed:

(i) if the Public Offer Shares are not fully subscribed, the Sole Bookrunner (for itself and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares to the Placing in such amount as the Sole Bookrunner (for itself and on behalf of the Underwriters) deems appropriate;

(ii) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times of the number of Offer Shares initially available under the Public Offer, then 7,500,000 Offer Shares may be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 15,000,000, representing 20% of the Offer Shares initially available under the Share Offer;

(iii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Offer Shares initially available under the Public Offer, then 15,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 22,500,000, representing 30% of the Offer Shares initially available under the Share Offer;

(iv) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Offer Shares initially available under the Public Offer, then 22,500,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 30,000,000, representing 40% of the Offer Shares initially available under the Share Offer; and

(v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more of the number of Offer Shares initially available under the Public Offer, then 30,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 37,500,000, representing 50% of the Offer Shares initially available under the Share Offer.

(b) Where the Placing Shares are not fully subscribed:

(i) if the Public Offer Shares are not fully subscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and Underwriting Agreements; and

(ii) if the Public Offer Shares are fully subscribed irrespective of the number of times the number of Offer Shares initially available under the Public Offer, then up to 7,500,000 Offer Shares will be reallocated to the Public Offer from the Placing, increasing the total number of Offer Shares available under the Public Offer to 15,000,000, representing 20% of the Offer Shares initially available under the Share Offer.

In the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where (xx) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above or (yy) the Placing Shares are not fully subscribed and the Public Offer Shares are oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e.HK$1.70 per Offer Share) stated in this prospectus.

In addition, the Sole Bookrunner may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. In accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer (i.e. 15,000,000 Offer Shares).

For reallocation of Offer Shares from the Placing to the Public Offer, the number of Offer Shares allocated to the Placing will correspondingly be reduced, and such additional Public Offer Shares will be reallocated to Pool A and Pool B in the Public Offer in such manner as the Sole Bookrunner deems appropriate.

If the Public Offer is not fully subscribed, the Sole Bookrunner will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Public Offer Shares in such amount as the Sole Bookrunner deems appropriate.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

THE PLACING

Number of the Offer Shares initially offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 67,500,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issue share capital immediately after the completion of the Share Offer and the Capitalisation Issue, but without taking into account Shares which may be upon exercise of options granted under the Share Option Scheme.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed by the Placing Underwriter(s). The Placing Shares will be selectively placed to certain professional and institutional and other investors anticipated to have a sizeable demand for such Placing Shares in Hong Kong. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the bookbuilding process described in the paragraph headed "Offer Price" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Bookrunner (for itself and on behalf of the Underwriters) may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Sole Bookrunner so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement.

The Placing is fully underwritten by the Placing Underwriters under the terms of the Placing Underwriting Agreement.

These underwriting arrangements, and the Underwriting Agreements, are summarized in the section headed "Underwriting" in this prospectus.

OFFER PRICE

Determination of the Offer Price

The Placing Underwriters will be soliciting from prospective investors indications of interest in acquiring the Shares in the Placing. Prospective professional, institution and other investors will be required to specify the number of Offer Shares under the Placing which they would be prepared to acquire either at different price or at a particular price. This process, known as "bookbuilding", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

The Offer Price will be fixed by the Price Determination Agreement on the Price Determination Date, which is expected to be on or around Thursday, 9 August 2018. If the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Friday, 10 August 2018, the Share Offer will not become unconditional and will not proceed. The Sole Bookrunner (for itself and on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range to below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company will, as soon as practicable following the decision to make such reduction, cause to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.szeternity.com** an announcement of such change on or before the Price Determination Date. Prospective investors of the Offer Shares should be aware that the Offer Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative Offer Price range stated in this prospectus.

If for any reason the Price Determination Date is changed, our Company will as soon as practicable cause to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.szeternity.com** a notice of the change and if applicable the revised date.

Offer Price range

The Offer Price will not be more than HK$2.00 per Offer Share and is expected to be not less than HK$1.70 per Offer Share. The Offer Price will fall within the indicative Offer Price range as stated in this prospectus unless otherwise announced.

Price payable on application

The Offer Price will not be more than HK$2.00 per Offer Share and is expected to be not less than HK$1.70 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK$2.00 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK$10,100.77 per board lot of 5,000 Offer Shares. If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK$2.00 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATION

Announcement of the final Offer Price, together with the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.szeternity.com** on Wednesday, 15 August 2018.

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Shares Offer becomes unconditional at or before 8:00 a.m. Hong Kong on Thursday, 16 August 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 16 August 2018. The Shares will be traded in board lots of 5,000 Shares each. The stock code for the Shares will be 1725.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus. If the Stock Exchange grants the listing of and permission to deal in the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or, under contingent situation, any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

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

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 stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interest.

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- apply online via the **White Form eIPO** service at **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 Bookrunner, the Joint Lead Managers, the **White Form eIPO** Service Provider and its respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, 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 authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Sole Bookrunner may accept it at its discretion and on any conditions it 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** service for the Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares and/or any of our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- a core 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 Share Offer;
- a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 3 August 2018 to 12:00 noon on Wednesday, 8 August 2018 from:

(i) the following office of the Public Offer Underwriters:

Supreme China Securities Limited
Suite 2701-2, 27/F
Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

Koala Securities Limited
Unit 01-02, 13/F
Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

Yellow River Securities Limited
Room A, 24/F
Tai Yau Building, 181 Johnston Road
Wanchai
Hong Kong

(ii) the following office of the Sole Sponsor:

Dakin Capital Limited
Room 2701, 27/F, Tower 1
Admiralty Centre
18 Harcourt Road
Admiralty
Hong Kong

(iii) any of the following branches of Bank of China (Hong Kong) Limited:

	Branch	Address
Hong Kong Island	Johnston Road Branch	152-158 Johnston Road, Wan Chai, Hong Kong
Kowloon	Tsim Sha Tsui East Branch	Shop 3, LG/F, Hilton Towers, 96 Granville Road, Tsim Sha Tsui East, Kowloon
New Territories	East Point City Branch	Shop Nos. 217 D-E, Level 2, East Point City, 8 Chung Wa Road, Tseung Kwan O, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 3 August 2018 until 12:00 noon on Wednesday, 8 August 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker who may have such Application Forms and this prospectus available.

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 — ETERNITY TECHNOLOGY 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, 3 August 2018 — 9:00 a.m. to 5:00 p.m.
Saturday, 4 August 2018 — 9:00 a.m. to 1:00 p.m.
Monday, 6 August 2018 — 9:00 a.m. to 5:00 p.m.
Tuesday, 7 August 2018 — 9:00 a.m. to 5:00 p.m.
Wednesday, 8 August 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 Wednesday, 8 August 2018, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather on the opening of the applications lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, or applying through the **White Form eIPO** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Bookrunner (or its 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 Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;

(vi) agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing nor participated in the Placing;

(viii) agree to disclose to our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise 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 Public Offer Shares allocated to you, and our Company and/or its agents deposit any share certificate(s) into CCASS or, 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;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** 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

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply for Public Offer Shares" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service 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 authorise 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 the **White Form eIPO** service.

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** (24 hours daily, except on the last application day) from 3 August 2018 until 11:30 a.m. on 8 August 2018 and the latest time for completing full payment of application monies in respect of such applications will be at 12:00 noon on 8 August 2018 or such later time under the "10. Effect of Bad Weather on the Opening of the application 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 the **White Form eIPO** service to make an application for Public 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 payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service 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).

Environmental Protection

The obvious advantage of **White Form eIPO** service 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 ETERNITY TECHNOLOGY HOLDINGS LIMITED **White Form eIPO** application submitted via the **www.eipo.com.hk** to support the funding of "Dongjiang River Source Tree Planting" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +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 Centre
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 Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers 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 Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Public Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, our Directors and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Public Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Memorandum and Articles of Association of our Company; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 5,000 Public Offer Shares. Instructions for more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions(1)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

9:00 a.m. to 8:30 p.m., Friday, 3 August 2018
8:00 a.m. to 1:00 p.m., Saturday, 4 August 2018
8:00 a.m. to 8:30 p.m., Monday, 6 August 2018
8:00 a.m. to 8:30 p.m., Tuesday, 7 August 2018
8:00 a.m. to 12:00 noon, Wednesday, 8 August 2018

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 3 August 2018 until 12:00 noon on Wednesday, 8 August 2018 (24 hours daily, except on the last application day). The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 8 August 2018, the last application day or such later time as described in the paragraph headed "10. 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 Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, 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 (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 bank, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **White Form eIPO** service is also only a facility provided by the **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 Bookrunner, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 8 August 2018 or such later time under the paragraph "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form whether individually or jointly or by giving **electronic application instructions** to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Public Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 5,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 5,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure and Conditions of the Share Offer" of this prospectus.

10. 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 Wednesday, 8 August 2018.

Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 8 August 2018 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" of this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 15 August 2018 on our Company's website at **www.szeternity.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.szeternity.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Wednesday, 15 August 2018;
- from the designated results of allocations website at **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, 15 August 2018 to 12:00 midnight on Tuesday, 21 August 2018;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, 15 August 2018 to Saturday, 18 August 2018;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 15 August 2018 to Friday, 17 August 2018 at the designated receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Share Offer".

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.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC 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 (as applied by Section 342E) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, **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.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing 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;
- our Company or the Sole Bookrunner believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of Public Offer Shares initially offered under the Public Offer.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$2.00 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and conditions of the Share Offer — Conditions of the Share Offer" of this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, 15 August 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Wednesday, 15 August 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, 16 August 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" of this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong 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, 15 August 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public 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, 15 August 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, 15 August 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 15 August 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer 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, 15 August 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

- *If you apply through the* ***White Form eIPO*** *service*

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from 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, 15 August 2018, or such other date as notified by our Company 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 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before 15 August 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.

- *If you apply via Electronic Application Instructions to HKSCC*

  Allocation of Public Offer Shares

  For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

  Deposit of Share Certificates into CCASS and Refund of Application Monies

  - If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 15 August 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 Public Offer in the manner specified in the sub-paragraph headed "Publication of results" above in this section on Wednesday, 15 August 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 15 August 2018 or such other date as determined by HKSCC or HKSCC Nominees.

  - If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

  - If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 15 August 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 15 August 2018.

- No interest will be paid thereon.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report set out on pages I-1 to I-3 received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ETERNITY TECHNOLOGY HOLDINGS LIMITED AND DAKIN CAPITAL LIMITED

Introduction

We report on the historical financial information of Eternity Technology Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-88, which comprises the consolidated balance sheets as at 31 December 2015, 2016 and 2017 and 30 April 2018, the balance sheets of the Company as at 31 December 2017 and 30 April 2018, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-88 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 3 August 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Reporting accountant's 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 accountant's 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 accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 accountant's report, a true and fair view of the financial position of the Company as at 31 December 2017 and 30 April 2018 and the consolidated financial position of the Group as at 31 December 2015, 2016 and 2017 and 30 April 2018 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the four months ended 30 April 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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-4 have been made.

Dividends

We refer to Note 29 to the Historical Financial Information which states that no dividends have been paid by Eternity Technology Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
3 August 2018

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

CONSOLIDATED INCOME STATEMENTS

		Year ended 31 December			Four months ended 30 April	
	Note	**2015**	**2016**	**2017**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	5	182,925	267,890	370,162	134,351	181,174
Cost of sales	6	(148,334)	(220,360)	(309,824)	(112,643)	(153,326)
Gross profit		34,591	47,530	60,338	21,708	27,848
Other income	7	93	694	828	—	1,626
Other (losses)/gains, net	8	(132)	(983)	1,223	81	265
Selling and distribution expenses	6	(3,673)	(6,687)	(9,534)	(2,747)	(3,853)
Administrative expenses	6	(10,327)	(12,795)	(18,404)	(7,719)	(8,667)
Operating profit		20,552	27,759	34,451	11,323	17,219
Finance income	10	24	32	99	16	22
Finance costs	10	(1,982)	(1,098)	(800)	(287)	(224)
Finance costs, net		(1,958)	(1,066)	(701)	(271)	(202)
Profit before income tax		18,594	26,693	33,750	11,052	17,017
Income tax expense	11	(4,602)	(4,612)	(5,239)	(2,281)	(3,083)
Profit for the year/period		13,992	22,081	28,511	8,771	13,934
Profit attributable to:						
Owners of the Company		13,992	22,081	28,511	8,771	13,934
Earnings per share attributable to ordinary equity holders of the Company						
Basic and diluted (RMB'000)	12	34.29	54.12	62.53	21.13	29.03

The earnings per share has not taken into account the proposed capitalisation issue pursuant to the shareholders' resolution dated 25 July 2018 because the proposed capitalisation issue has not been effected as at the date of this report.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit for the year/period	13,992	22,081	28,511	8,771	13,934
Other comprehensive losses:					
Items that may be subsequently reclassified to profit or loss					
Currency translation differences	(125)	(10)	(250)	12	(272)
Total comprehensive income for the year/period	13,867	22,071	28,261	8,783	13,662
Attributable to:					
Owners of the Company	13,867	22,071	28,261	8,783	13,662

CONSOLIDATED BALANCE SHEETS

	Note	As at 31 December 2015	As at 31 December 2016	As at 31 December 2017	As at 30 April 2018
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Properties, plant and equipment	13	15,863	11,309	13,853	14,456
Intangible assets	14	—	1,720	1,478	1,375
Prepayments and deposits	16	394	336	401	2,433
Deferred tax assets	22	2,158	1,186	1,085	888
		18,415	14,551	16,817	19,152
Current assets					
Inventories	17	22,143	21,606	31,449	70,312
Trade and bills receivables	20	52,987	80,730	71,090	150,170
Prepayments, deposits and other receivables	16	2,479	3,737	10,425	16,318
Financial assets at fair value through profit or loss	18	12,669	20,254	—	—
Amount due from a related party	28	2,530	4,000	—	—
Pledged bank deposits	19	615	1,490	—	4,045
Cash and cash equivalents	19	28,901	21,241	53,134	51,183
		122,324	153,058	166,098	292,028
Total assets		140,739	167,609	182,915	311,180
EQUITY					
Equity attributable to owners of the Company					
Share capital	21	—	—	—	—
Reserves		23,200	45,271	86,359	100,021
Total equity		23,200	45,271	86,359	100,021

	Note	As at 31 December 2015	2016	2017	As at 30 April 2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES					
Current liabilities					
Trade payables	23	33,082	53,182	55,632	150,101
Current income tax liabilities		6,233	8,905	4,835	4,996
Bank borrowings	25	20,628	12,326	5,000	13,466
Receipts in advance, other payables and accruals	24	28,287	25,543	31,089	42,596
Amounts due to related parties	28	29,309	22,382	—	—
		117,539	122,338	96,556	211,159
Total liabilities		117,539	122,338	96,556	211,159
Total equity and liabilities		140,739	167,609	182,915	311,180

BALANCE SHEETS OF THE COMPANY

	Note	**As at 31 December 2017** *RMB'000*	**As at 30 April 2018** *RMB'000*
ASSETS			
Non-current assets			
Interests in subsidiaries	32	19,949	19,949
Current assets			
Prepayments, other receivable and deposit	16	1,486	2,527
Amounts due from subsidiaries	33	3,369	234
Cash and cash equivalents	19	2,436	1,064
		7,291	3,825
Total assets		27,240	23,774
EQUITY			
Equity attributable to owners of the Company			
Share capital	21	—	—
Share premium	21	12,165	12,165
Reserves	34	19,505	19,292
Accumulated losses		(5,167)	(9,468)
Total equity		26,503	21,989
LIABILITIES			
Current liabilities			
Accruals	24	562	405
Amount due to a subsidiary	33	175	1,380
Total liabilities		737	1,785
Total equity and liabilities		27,240	23,774

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital	Statutory reserve	Other reserves	Exchange reserve	(Accumulated losses)/ retained earnings	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			Note (b)			
Balance at 1 January 2015	—	—	12,000	(3)	(2,664)	9,333
Comprehensive income						
Profit for the year	—	—	—	—	13,992	13,992
Other comprehensive losses						
Currency translation differences	—	—	—	(125)	—	(125)
Total comprehensive income	—	—	—	(125)	13,992	13,867
Transactions with owners						
Appropriation (Note (a))	—	1,275	—	—	(1,275)	—
Total transactions with owners	—	1,275	—	—	(1,275)	—
Balance at 31 December 2015	—	1,275	12,000	(128)	10,053	23,200

	Attributable to owners of the Company					
	Share capital	Statutory reserve	Other reserves	Exchange reserve	Retained earnings	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			Note (b)			
Balance at 1 January 2016	—	1,275	12,000	(128)	10,053	23,200
Comprehensive income						
Profit for the year	—	—	—	—	22,081	22,081
Other comprehensive losses						
Currency translation differences	—	—	—	(10)	—	(10)
Total comprehensive income	—	—	—	(10)	22,081	22,071
Transactions with owners						
Appropriation (Note (a))	—	2,076	—	—	(2,076)	—
Total transactions with owners	—	2,076	—	—	(2,076)	—
Balance at 31 December 2016	—	3,351	12,000	(138)	30,058	45,271

	Attributable to owners of the Company					
	Share capital	Statutory reserve	Other reserves	Exchange reserve	Retained earnings	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			Note (b)			
Balance at 1 January 2017	—	3,351	12,000	(138)	30,058	45,271
Comprehensive income						
Profit for the year	—	—	—	—	28,511	28,511
Other comprehensive losses						
Currency translation differences	—	—	—	(250)	—	(250)
Total comprehensive income	—	—	—	(250)	28,511	28,261
Transactions with owners						
Capital injection from a shareholder (Note 1.2(c))	—	—	919	—	—	919
Effect of reorganisation in respect of the capitalisation of shareholders' loans (Note 1.2(j)) and the acquisition of subsidiaries (Note 1.2(e) & (i))	—	—	(257)	—	—	(257)
Issuance of ordinary shares of the Company (Note 1.2(a)&(g))	—	—	12,165	—	—	12,165
Appropriation (Note (a))	—	2,965	—	—	(2,965)	—
Total transactions with owners	—	2,965	12,827	—	(2,965)	12,827
Balance at 31 December 2017	—	6,316	24,827	(388)	55,604	86,359
Balance at 1 January 2018	—	6,316	24,827	(388)	55,604	86,359
Comprehensive income						
Profit for the period	—	—	—	—	13,934	13,934
Other comprehensive losses						
Currency translation differences	—	—	—	(272)	—	(272)
Total comprehensive income	—	—	—	(272)	13,934	13,662
Balance at 30 April 2018	—	6,316	24,827	(660)	69,538	100,021

	Attributable to owners of the Company					
	Share capital	**Statutory reserve**	**Other reserves**	**Exchange reserve**	**Retained earnings**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000* *Note (b)*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2017	—	3,351	12,000	(138)	30,058	45,271
Comprehensive income						
Profit for the period	—	—	—	—	8,771	8,771
Other comprehensive losses						
Currency translation differences	—	—	—	12	—	12
Total comprehensive income	—	—	—	12	8,771	8,783
Transactions with owners						
Capital injection from a shareholder (Note 1.2(c))	—	—	919	—	—	919
Appropriation (Note (a))	—	2,965	—	—	(2,965)	—
Total transactions with owners	—	2,965	919	—	(2,965)	919
Balance at 30 April 2017 (unaudited)	—	6,316	12,919	(126)	35,864	54,973

Note:

(a) The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. A PRC company is required to appropriate an amount of not less than 10% of statutory profits after income tax to statutory surplus reserves, prior to distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

(b) Other reserves as at 31 December 2015 and 31 December 2016 represent combined share capital of subsidiaries now comprising the Group before the completion of the reorganisation.

Other reserves as at 31 December 2017 and 30 April 2018 represent the share premium and fair value of the consideration given in excess of the share capital of the subsidiaries now comprising the Group in relation to the Group's reorganisation.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December			Four months ended 30 April	
		2015	2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows from operating activities						
Cash generated from operations	26(a)	37,043	22,426	38,249	24,353	1,694
Income tax paid		—	(984)	(9,175)	(2,200)	(2,709)
Interest received		24	32	99	16	22
Dividend received		—	39	—	—	—
Net cash generated from/(used in) operating activities		37,067	21,513	29,173	22,169	(993)
Cash flows from investing activities						
Purchase of financial assets at fair value through profit or loss		(53,694)	(112,678)	(62,818)	(47,436)	—
Proceeds from disposal of financial assets at fair value through profit or loss		41,344	104,925	83,133	54,891	—
Purchase of properties, plant and equipment		(2,236)	(601)	(5,091)	(1,401)	(3,552)
Proceeds from disposal of properties, plant and equipment	26(b)	49	471	1,129	378	—
Purchase of intangible assets		—	(1,762)	(119)	—	(27)
Net cash (used in)/generated from investing activities		(14,537)	(9,645)	16,234	6,432	(3,579)
Cash flows from financing activities						
Proceeds from bank borrowings	26(c)	78,830	21,088	14,316	6,855	8,466
Proceeds from loans from shareholders	1.2(h)	—	—	19,692	—	—
Proceeds from issuance of ordinary shares of the Company	1.2(g)	—	—	12,165	—	—
Consideration paid for the acquisition of subsidiaries in respect of reorganisation	1.2(e)&(i)	—	—	(19,949)	—	—
Repayments of bank borrowings	26(c)	(75,367)	(29,390)	(21,642)	(4,326)	—
Interest paid		(1,982)	(1,098)	(800)	(242)	(179)
Change in pledged bank deposits		(43)	(875)	1,490	(567)	(4,045)
Advance from a related party		—	2,800	6,080	—	—
Repayment to a related party		(2,530)	(4,270)	(2,080)	(680)	—
Proceeds from amounts due to related parties	26(c)	319	2,200	8,130	5,173	—
Repayment of amounts due to related parties	26(c)	(10,113)	(10,096)	(29,716)	(7,611)	—
Payment of listing expenses		—	—	(1,443)	(1,140)	(1,241)
Capital injection from a shareholder	1.2(c)	—	—	919	919	—
Net cash (used in)/generated from financing activities		(10,886)	(19,641)	(12,838)	(1,619)	3,001

	Note	Year ended 31 December 2015	2016	2017	Four months ended 30 April 2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Net increase/(decrease) in cash and cash equivalents		11,644	(7,773)	32,569	26,982	(1,571)
Cash and cash equivalents at beginning of the year/period		16,536	28,901	21,241	21,241	53,134
Currency translation differences		721	113	(676)	(81)	(380)
Cash and cash equivalents at end of the year/period	19	28,901	21,241	53,134	48,142	51,183

Major non-cash transaction:

During the year ended 31 December 2017, loans amounting to HK$22,640,000 (approximately RMB19,692,000) from shareholders of the Company were capitalised in other reserve as capital contribution to the Company.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information, reorganisation and basis of presentation

1.1 General information

The Company was incorporated in the Cayman Islands on 15 March 2017 as an exempted company with limited liability under the Companies Law Cap. 22, Law 3 of 1961 as consolidated and revised of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries now comprising the Group are principally engaged in the business of electronics manufacturing services (the "Listing Business"). The ultimate holding company of the Company is Rich Blessing Group Limited, a company incorporated in the British Virgin Islands ("BVI"). The ultimate controlling party of the Group is Mr. Ma Fujun ("Mr. Ma").

The Historical Financial Information is presented in unit of Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000"), unless otherwise stated.

1.2 Reorganisation

Prior to the group reorganisation (the "Reorganisation"), the businesses of electronic manufacturing services and trading of electronic products were carried out by (a) Shenzhen Hengchang Sheng Technology Company Limited* (深圳恒昌盛科技有限公司) ("Shenzhen Hengchang Sheng"), a company incorporated in the People's Republic of China ("PRC") which was controlled by Mr. Ma; and (b) Eternity Technology Development Limited, a company incorporated in Hong Kong, which was wholly owned by Mr. Ma, throughout the Track Record Period.

In preparing for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent the Reorganisation which mainly involved the following steps:

(a) On 15 March 2017, the Company was incorporated in the Cayman Islands. 323 shares and 17 shares of the Company were allotted and issued to Rich Blessing Group Limited and In Good Investment Limited ("In Good"), a former pre-IPO investor, respectively on the same date.

(b) On 23 March 2017, the Company subscribed one fully paid share of Total United Holdings Limited. Total United Holdings Limited became a wholly owned subsidiary of the Company.

(c) On 27 March 2017, In Good injected capital in the amount of RMB919,000 into Shenzhen Hengchang Sheng.

* *For identification purpose only*

(d) On 30 March 2017, Agreeable Company Limited was incorporated in Hong Kong and controlled by Total United Holdings Limited, a wholly owned subsidiary of the Company.

(e) On 12 May 2017, Agreeable Company Limited acquired the entire equity interest in Shenzhen Hengchang Sheng from its then shareholders at a total cash consideration of RMB18,383,000.

(f) On 17 May 2017, In Good transferred its 17 shares of the Company to Elite Foster International Investment Limited (a pre-IPO investor).

(g) On 18 May 2017, Elite Foster International Investment Limited subscribed for 40 shares of the Company at cash consideration of HK$13,860,000 (approximately RMB12,165,000). After the aforesaid subscription of shares, the Company was owned as to 85% by Rich Blessing Group Limited and 15% by Elite Foster International Investment Limited.

(h) On 23 May 2017 and 1 June 2017, Elite Foster International Investment Limited and Rich Blessing Group Limited advanced shareholders' loans in the amounts of HK$1,140,000 (approximately RMB992,000) (the "Elite Foster Shareholder's Loan") and HK$21,500,000 (approximately RMB18,700,000) (the "Rich Blessing Shareholder's Loan"), respectively, to the Company.

(i) On 1 June 2017, Total United Holdings Limited acquired the entire issued shares of Eternity Technology Development Limited from Mr. Ma at cash consideration of HK$1,800,000 (approximately RMB1,566,000).

(j) On 8 June 2017, the Company capitalised the full amount of the Rich Blessing Shareholder's Loan and Elite Foster Shareholder's Loan by allotment and issuing of 85 and 15 ordinary shares of the Company, credited as fully paid, to Rich Blessing Group Limited and Elite Foster International Investment Limited, respectively. After the aforesaid loan capitalisation, the Company remained owned as to 85% by Rich Blessing Group Limited and 15% by Elite Foster International Investment Limited.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

				Effective interest held by the Group					Name of statutory auditors		
Name of subsidiary	Place and date of incorporation	Principal activities and place of operation	Issued and paid up capital	31 December 2015	31 December 2016	31 December 2017	30 April 2018	As at date of this report	2015	2016	2017
Direct Interests:											
Total United Holdings Limited	BVI; 1 December 2016	Investment holding in BVI	1 United States Dollar ("USD")	N/A	100%	100%	100%	100%	N/A	(a)	(a)
Indirect Interests:											
Agreeable Company Limited	Hong Kong; 30 March 2017	Investment holding in Hong Kong	HK$1	N/A	N/A	100%	100%	100%	N/A	N/A	(b)
Shenzhen Hengchang Sheng	The PRC; 9 May 2005	Electronic manufacturing services in PRC	RMB12,631,579	100%	100%	100%	100%	100%	(c)	(c)	(c)
Eternity Technology Limited	Hong Kong; 2 January 2003	Trading of electronic products in Hong Kong	HK$2	100%	100%	100%	100%	100%	(d)	(d)	(d)

(a) No audited statutory financial statements have been issued for the subsidiary as it is not required to issue audited financial statements under the statutory requirement of its place of incorporation.

(b) No statutory financial statements for the period ended 31 December 2017 is required as it was incorporated on 30 March 2017.

(c) The statutory auditor for the year ended 31 December 2015, 2016 and 2017 was Shenzhen Huatu Certified Public Accountants Limited.

(d) The statutory auditor for the year ended 31 December 2015, 2016 and 2017 was SBC CPA Limited. The statutory financial statements for the year ended 31 December 2017 have not yet been issued.

All companies now comprising the Group have adopted 31 December as their financial year end date.

1.3 Basis of presentation

The companies now comprising the Group and the Listing Business were controlled by the same ultimate controlling party immediately before and after the Reorganisation with no change in their business substance or management. Accordingly, the Reorganisation is regarded as a business combination under common control, and for the purpose of this report, the Historical Financial Information has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants.

The Historical Financial Information has been prepared by including the financial information of the companies now comprising the Group engaged in the Listing Business, as if the current group structure had been in existence throughout the years presented.

The net assets of the combining companies were combined using the existing book values before the Reorganisation. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Company has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") . The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of the Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the directors of the Group to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 4.

The Group has adopted HKFRS 15 using the full retrospective approach with which the relevant accounting policies have been consistently applied to the Group's consolidated financial statements throughout the Track Record Period. The Group has also adopted HKFRS 9 using the modified retrospective approach with which the cumulative impact of the adoption, if any, will have been recognised in the retained earnings as of 1 January 2018 and that comparatives will not be restated.

Pursuant to the adoption of HKFRS 9 and 15, there has been changes to certain of the Group's accounting policies. HKFRS 15 replaces both the provisions of HKAS 18 and HKAS 11 and the related interpretations that relate to the recognition, classification and measurement of revenue and costs. HKFRS 9 addresses the classification, measurement and derecognition of financial assets and liabilities, and a new impairment model for financial assets.

The adoption of HKFRS 9 did not result in any restatement of comparative financial information or any impact to the retained earnings as of 1 January 2018 or any impact to the consolidated financial statements during the four months ended 30 April 2018.

The following new standards, amendments and interpretation to existing standards, which are relevant to the Group, have been issued and are effective for future reporting periods and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
HKFRS 9 (Amendments)	Prepayment features with negative compensation	1 January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKAS 28 (Amendments)	Long-term interests in associates and joint ventures	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements Project (Amendments)	Annual Improvements 2015-2017 Cycle	1 January 2019

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. Management is in the process of assessing the impact of these standards, amendments and interpretations to existing HKFRS and set out below are the expected impact on the Group's financial performance and position: HKFRS 16 "Leases" which addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The Group is a lessee of various properties which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in note 2.21 with the Group's future operating lease commitments, which are not reflected in the consolidated balance sheets, falling due as follows:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
No later than 1 year	1,563	2,558	7,635	4,829
Later than 1 year and no later than 5 years	10,689	7,186	5,542	5,944
	12,252	9,744	13,177	10,773

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the consolidated balance sheets. Instead, when the Group is the lessee, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus, each lease will be mapped in the Group's consolidated balance sheets. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheets. As for the financial performance impact in the consolidated statements of comprehensive income, rental expenses will be replaced with straight-line depreciation expense on the right-of-use asset and interest expenses on the lease liability. The combination of the straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to apply until the financial year ending 31 December 2019. Early adoption is permitted only if HKFRS 15 is adopted at the same time.

Management has performed a preliminary assessment on the implementation of HKFRS 16 and the initial results indicated that it would not result in any significant impact on the Group's financial position and results of operation other than increase in assets and financial liabilities in the Group's financial statements. The adoption of HKFRS 16 would also not affect the Group's total cash flows in respect of the leases.

Other than those analysed above, management does not anticipate any significant impact on the Group's financial positions and results of operations upon adopting the above other amendments to existing standard.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries now comprising the Group have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Merger accounting for common control combinations

During the year ended 31 December 2017, the Group has completed the Reorganisation as detailed in Note 1.2 under which the Company has acquired subsidiaries which are under common control of Mr. Ma since their dates of incorporation. These acquisitions are regarded as "business combination under common control" and are accounted for using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the HKICPA.

The net assets of the combining entities are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of common control combinations, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combinations.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for by the Company at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Historical Financial Information of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the directors who make strategic decisions.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in RMB, which is the Group's presentation currency. The Company's functional currency is Hong Kong Dollar ("HK$").

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) Group companies

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign operations are taken to other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Properties, plant and equipment

Properties, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of properties, plant and equipment is calculated using the straight-line method to allocate their costs, net of their residual value, over their estimated useful lives, as follows:

Buildings	20 years
Furniture and fixtures	5 years
Office equipment	3 to 5 years
Plant and machinery	3 to 10 years
Motor vehicles	3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain or loss on disposal are determined by comparing proceeds with carrying amount and are recognised in profit or loss.

2.6 Intangible assets

(i) System software

Acquired system software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using straight-line method over their estimated useful lives of three to five years.

Research and development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised research and development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

(ii) Research and development

Research and development costs that do not meet the criteria in (i) above are recognised as expenses as incurred. Research and development costs previously recognised as expenses are not recognised as an asset in a subsequent period.

2.7 Financial assets

2.7.1 Classification

For the years ended 31 December 2015, 2016 and 2017

The Group classifies its financial assets as financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. held for trading. They are presented as current assets if they are expected to be sold within twelve months after the end of the reporting period; otherwise they are presented as non-current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents. (Notes 2.10 and 2.12).

For the four months ended 30 April 2018

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss) and;

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.7.2 Recognition and measurement

For the years ended 31 December 2015, 2016 and 2017

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statements within 'other gains/(losses) — net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised within 'other income' when the Group's right to receive payments is established.

For the four months ended 30 April 2018

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- Fair value through other comprehensive income: assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and losses and impairment expenses in other expenses.

- Fair value through profit or loss: assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated income statements within 'other gains/(losses)-net' in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statements within 'other gains /(losses) — net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised within 'other income' when the Group's right to receive payments is established.

2.7.3 Derecognition

For the years ended 31 December 2015, 2016 and 2017

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

For the four months ended 30 April 2018

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and reward of ownership.

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.9 Impairment of financial assets

For the years ended 31 December 2015, 2016 and 2017

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss 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 been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group, may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

For the four months ended 30 April 2018

The Group's financial assets measured at amortised cost are subject to HKFRS 9's expected credit loss model. The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(iii) sets out the details on how the Group determines whether there has been a significant increase in credit risk.

For trade and bills receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The provision matrix is determined based on historical observed default rates over the expected life of the trade and bills receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

For other receivables, the Group measures the impairment as either 12-month expected credit losses or life-time expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of the other receivables has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.10 Trade, bills and other receivables

Trade and bills receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and bills receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade, bills and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in interest expense over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.19 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) Other long-term employee benefit obligations

The liabilities for annual leave are not expected to be settled wholly within twelve months after the end of the period in which the employees render the related service.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(c) Defined contribution plans

The Group pays contributions to state-managed pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(d) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amount for the sale of goods in the ordinary course of the Group's activity. Revenue is shown net of returns and after eliminating sales within the Group.

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customers and the payment by the customers exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods that the Group has transferred to a customer. Incremental costs incurred to obtain a contact, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers the promised goods to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer the promised goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Revenue is recognised when specific criteria have been met for the Group's activity as described below:

(a) Sales of goods

Sales of goods transferred at a point in time are recognised when control of the goods has transferred, being when the Group has delivered the products to the customers and the customers have accepted the products. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.21 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the profit or loss on a straight-line basis over the period of the lease.

2.22 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the years in which the dividend are approved by the Company's shareholders or directors, where appropriate.

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statements over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.24 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Market risk

(i) Foreign exchange risk

The Group operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations, which are denominated in these currencies.

During the Track Record Period, the Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

As at 31 December 2015, 2016 and 2017 and 30 April 2018, if USD had strengthened/weakened by 1% against RMB, with all other variables held constant, pre-tax profit for each year would have changed mainly as a result of foreign exchange losses/gains on translation of USD denominated cash and cash equivalents, trade and other receivables and trade and other payables.

	Year ended 31 December			Four months ended 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pre-tax profit (decrease)/increase				
- Strengthened 1%	(91)	(72)	(55)	(71)
- Weakened 1%	91	72	55	71

(ii) Interest rate risk

The Group's interest rate risk is mainly attributable to its pledged bank deposits, cash at banks and bank borrowings with floating interest rates. Details of the Group's pledged bank deposits, cash and cash equivalents, and bank borrowings have been disclosed in Notes 19 and 25 to the Historical Financial Information respectively.

Other than pledged bank deposits, cash at banks and bank borrowings, the Group does not have significant interest-bearing assets or liabilities.

As at 31 December 2015, 2016 and 2017 and 30 April 2018, if interest rates on pledged bank deposits, cash at banks and bank borrowings had been 100 basis points higher/lower with all variables held constant, profit before tax for the years and the period then ended would have been RMB89,000, RMB104,000, RMB481,000 and RMB418,000 higher/lower, mainly as a result of higher/lower of interest income on the pledged bank deposits and cash at banks netted with interest expenses on the bank borrowings respectively.

(iii) Credit risk

The credit risk of the Group mainly arises from bank deposits and trade and other receivables, amount due from a related party and a shareholder. Majority of bank deposits are placed with reputable banks and financial institutions.

The Group has policies in place to ensure that credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made.

The carrying amounts of trade and bills receivables, deposits and other receivables, amount due from a related party, bank deposits and cash at banks represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade and bills receivables.

The Group considers the credit risk characteristics and the days past due of the trade and bills receivables to measure the expected credit loss. For the past due trade and bills receivables, the Group has assessed the expected credit loss by considering historical default rates, existing market conditions and forward-looking information. Based on the Group's assessment, expected credit loss rate of trade and bills receivables is close to zero. Therefore, the loss allowance provision for these trade and bills receivables balances was not material.

The Group's bank deposits and cash at banks were deposited with high quality financial institutions. Therefore, the Group does not expect any losses arising from non-performance by these counterparties.

For the years ended 31 December 2015, 2016 and 2017 and for the four months ended 30 April 2018, 66%, 76%, 80%, and 87%, respectively, of the Group's revenue was derived from its top five customers. As at 31 December 2015, 2016 and 2017 and 30 April 2018, 81%, 78%, 77% and 89% of the total trade and bills receivables were due from the Group's top five customers, respectively.

Management makes periodic assessments on the recoverability of trade and bills receivables, and is of the opinion that adequate provision for receivables with significant credit risk has been made.

The credit risk on bank deposits, cash at banks and amount due from a related party are limited because deposits are in banks with sound credit ratings and management does not expect any loss from non-performance by the related party. The amount due from a related party was fully settled as at 31 December 2017.

(iv) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the shorter and longer term.

As at 31 December 2015, 2016 and 2017 and 30 April 2018, the Group held cash and cash equivalents of RMB28,901,000, RMB21,241,000 RMB53,134,000 and RMB51,183,000 respectively, that are expected to be readily available to generate cash inflows for managing liquidity risk.

The Group maintains liquidity by a number of sources including orderly realisation of short-term financial assets, receivables and certain assets that the Group considers appropriate and long term financing including long-term borrowings are also considered by the Group in its capital structuring. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable the Group to continue its business for the foreseeable future.

As at 31 December 2015, 2016 and 2017 and 30 April 2018, the Group's total undrawn banking facilities amounted to approximately RMB12,660,000, RMB22,000,000, RMB19,000,000 and RMB19,000,000 respectively, and the Group's total drawn banking facilities amounted to approximately RMB20,628,000, RMB12,326,000, RMB5,000,000 and RMB13,466,000 respectively.

The table below analyses the non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date the Group can be required to pay. Balances within twelve months equal their carrying balances as impact from discounting is not significant.

Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the banks' sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lender were to invoke their unconditional rights to call the loans with immediate effect.

	Repayable on demand	Less than 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2015			
Trade payables	—	33,082	33,082
Other payables and accruals	—	6,962	6,962
Amounts due to related parties	29,309	—	29,309
Bank borrowings - principal portion	20,628	—	20,628
	49,937	40,044	89,981

	Repayable on demand	Less than 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2016			
Trade payables	—	53,182	53,182
Other payables and accruals	—	3,272	3,272
Amounts due to related parties	22,382	—	22,382
Bank borrowings - principal portion	12,326	—	12,326
	34,708	56,454	91,162

	Repayable on demand	Less than 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2017			
Trade payables	—	55,632	55,632
Other payables and accruals	—	3,828	3,828
Bank borrowings - principal portion	5,000	—	5,000
	5,000	59,460	64,460

	Repayable on demand	Less than 1 year	Total
	RMB'000	*RMB'000*	*RMB'000*
At 30 April 2018			
Trade payables	—	150,101	150,101
Other payables and accruals	—	5,970	5,970
Bank borrowings - principal portion	13,466	—	13,466
	13,466	156,071	169,537

The table below analyses the bank borrowings of the Group into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date without taking into consideration the effect of repayment on demand clause.

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year				
Bank borrowings				
- principal portion	20,628	12,326	5,000	13,466
- interest portion	754	434	319	230
	21,382	12,760	5,319	13,696

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders or sell assets to reduce debt.

The Group monitors capital on the basis of the total debt to total capital ratio. Total debt represents total borrowings. Total capital represents total equity, as shown in the consolidated balance sheets. The total debt to total capital ratios at 31 December 2015, 2016 and 2017 and 30 April 2018 were as follows:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total borrowings	20,628	12,326	5,000	13,466
Total equity	23,200	45,271	86,359	100,021
Total debt to total capital ratio	89%	27%	6%	13%

The decrease in total debt to total capital ratio from 89% as at 31 December 2015 to 27% as at 31 December 2016 was mainly due to the increase in total equity as a result of profit for the year then ended and decrease in total borrowings as a result of repayment of borrowings. The decrease in total debt to total capital ratio from 27% as at 31 December 2016 to 6% as at 31 December 2017 was mainly due to the increase in total equity as a result of profit or the year then ended and from the group reorganisation and decrease in total borrowings as a result of repayment of borrowings. The increase in total debt to total capital ratio from 6% as at 31 December 2017 to 13% as at 30 April 2018 was mainly due to the increase in total borrowings as a result of utilisation of borrowings.

3.3 Fair value estimation

The following table presents the Group's financial instruments carried at fair value as at 31 December 2015, 2016 and 2017 and 30 April 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

At 31 December 2015

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Financial assets at fair value through profit or loss				
Listed equity securities	2,169	—	—	2,169
Unlisted financial products	—	10,500	—	10,500
	2,169	10,500	—	12,669

At 31 December 2016

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Financial assets at fair value through profit or loss				
Listed equity securities	754	—	—	754
Unlisted financial products	—	19,500	—	19,500
	754	19,500	—	20,254

At 31 December 2017

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Financial assets at fair value through profit or loss				
Listed equity securities	—	—	—	—
Unlisted financial products	—	—	—	—
	—	—	—	—

At 30 April 2018

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Financial assets at fair value through profit or loss				
Listed equity securities	—	—	—	—
Unlisted financial products	—	—	—	—
	—	—	—	—

There were no transfers between levels 1, 2 and 3 during the Track Record Period.

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments listed on the Shenzhen Stock Exchange and Shanghai Stock Exchange classified as trading securities.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

These unlisted investments in level 2 represent investments in trust schemes and private investment funds. They have initial terms ranging from 1 to 14 days. The fair values of these investments approximated their carrying values as at 31 December 2015 and 2016. As at 31 December 2017 and 30 April 2018, the Group had no unlisted investments.

4 Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Management reassesses the estimation at the end of each reporting period.

4.2 Income taxes

The Group is subject to income taxes mainly in Hong Kong and the PRC. Significant judgement is required in determining provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the periods in which such determination are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and tax expense in the periods in which such estimate is changed.

4.3 Impairment of receivables

The Group makes provision for impairment of receivables based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's historical default rates, existing market conditions as well as forward looking estimates at the end of each reporting period. The identification of impairment of receivables requires the use of judgment and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and loss for the impairment of receivables recognised in the periods in which such estimates have been changed.

5 Revenue and segment information

The Company is an investment holding company and its subsidiaries now comprising the Group are principally engaged in manufacturing of electronic products.

The CODM has been identified as the directors of the Company. The directors review the Group's internal reporting in order to assess performance and allocate resources. The directors have determined the operating segment based on these reports.

The directors consider the Group's operation from a business perspective and determine that the Group has one reportable operating segment being electronics manufacturing services ("EMS").

The directors assess the performance of the operating segment based on a measure of revenue and gross profit.

During the Track Record Period, all of the Group's revenues are from contracts with customers and are recognised at a point in time. Please refer to note 2.20 for details of accounting policies on revenue recognition.

(a) Revenue from major customers who have individually contributed to 10% or more of the total revenue of the Group

	Year ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Customer A	49,307	N/A*	N/A*	N/A*	N/A*
Customer B	31,169	110,019	166,057	77,369	111,102
Customer C	21,947	N/A*	N/A*	N/A*	N/A*
Customer D	19,066	48,066	61,544	20,079	N/A*
Customer E	N/A*	29,737	N/A*	N/A*	N/A*
Customer F	N/A*	N/A*	N/A*	N/A*	21,054

* *The corresponding customers did not contribute over 10% of the total revenue of the Group for the respective years and periods.*

(b) Segment revenue by customers' geographical location

The Group is domiciled in the PRC. The Group's revenue by geographical location, which is determined by the location of customers, is as follows:

	Year ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
The PRC	145,676	219,183	333,650	121,827	155,069
Hong Kong	8,962	3,898	38	38	—
The United States of America ("USA")	6,340	37,488	6,828	4,658	2,040
Mexico	—	—	16,502	6,246	21,054
Others (*Note*)	21,947	7,321	13,144	1,582	3,011
	182,925	267,890	370,162	134,351	181,174

Note: Others include South Korea, Taiwan, Spain and Austria.

(c) Details of contract liabilities

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities *(Note 24)*	5,958	1,680	11,389	19,553

Notes:

(i) Contract liabilities represent advanced payments received from the customers for goods that have not yet been transferred to the customers. As at 31 December 2015, 2016 and 2017 and 30 April 2018, the contract liabilities mainly included the advance payments received from sale of electronic products. The contract liabilities fluctuate during the Track Record Period due to fluctuation in sales with advanced payments.

(ii) During the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, all brought-forward contract liabilities at the beginning of the financial year/period were fully recognised as revenue.

(d) Non-current assets by geographical location

All of the Group's non-current assets other than deferred tax assets and intangible assets are located in the PRC.

6 Expenses by nature

Expenses included in cost of sales, selling and distribution expenses and administrative expenses are analysed as follows:

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Cost of raw materials used	73,782	166,036	239,449	86,512	128,042
Consumables*	3,171	5,471	3,464	1,369	890
Subcontracting charges	2,527	600	22,950	10,360	10,348
Employee benefit expenses and manpower services expenses, including directors' emoluments (Notes 9 and 30)*	56,370	47,468	34,980	12,693	10,453
Operating lease rentals in respect of:					
- machinery	4,223	1,476	8,658	309	3,284
- offices, warehouses, production plant and staff quarters	2,709	2,612	2,700	889	996
Utilities	4,194	3,169	3,226	808	831
Amortisation (Note 14)	42	42	361	119	130
Depreciation (Note 13)*	8,743	4,883	2,337	802	748
Auditor's remuneration					
- Audit services (excluding listing expenses)	6	7	6	—	—
- Non-audit services	—	—	—	—	—
Listing expenses	—	—	5,642	3,600	4,280
Professional fees	136	234	221	19	616
Office expenses	414	360	337	122	161
Provision for inventories (Note 17)	229	967	1,072	477	150
Other tax and surcharges	1,227	1,376	2,079	598	234
Transportation	873	1,633	2,114	543	1,448
Service fees for product development*	—	447	2,531	2,172	1,553
Commission expenses	852	801	1,381	390	200
Repair and maintenance	896	221	928	279	188
Others (Note)	1,940	2,039	3,326	1,048	1,294
Total cost of sales, selling and distribution and administrative expenses	162,334	239,842	337,762	123,109	165,846

* The Group incurred expenses amounting to a total of approximately RMB7,265,000, RMB7,373,000, RMB12,413,000, RMB3,880,000 and RMB3,036,000 related to research and development, verification and development of the conceptual designs from customers and turning customers' design concepts into deliverable electronic products by improving the products' specifications and design, designs of products, recommending of the proper and suitable raw materials for assembling and testing of the trial products for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018 respectively. All of these expenses are charged in the income statements, and comprise material costs in "consumables", remuneration paid to certain staff in "employee benefit expenses", depreciation of certain equipment in "depreciation", and service fees payable to third parties for product development.

Note: Others mainly include telecommunication, courier, travelling, office expenses and sundry expenses.

7 Other income

	Year ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Government grants	93	655	828	—	1,626
Dividend income on financial assets at fair value through profit or loss	—	39	—	—	—
	93	694	828	—	1,626

8 Other (losses)/gains, net

	Year ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Exchange differences	(406)	(944)	435	183	269
Net realised and unrealised gains/(losses) on financial assets at fair value through profit or loss	269	(168)	61	(124)	—
Gain on disposal of properties, plant and equipment	5	129	727	22	(4)
	(132)	(983)	1,223	81	265

9 Employee benefit expenses and manpower service expenses, including directors' emoluments

	Year ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Wages and salaries	27,348	30,633	29,368	9,331	9,192
Pension costs - defined contribution plans (Note a)	3,058	1,762	1,951	582	743
Other staff welfares	1,270	143	157	50	109
Total employee benefit expenses (including directors' remunerations)	31,676	32,538	31,476	9,963	10,044
Manpower service expenses (Note b)	24,694	14,930	3,504	2,730	409
	56,370	47,468	34,980	12,693	10,453

(a) Pensions — defined contribution plans

The PRC

As stipulated under the relevant rules and regulations in the PRC, the subsidiary operating in the PRC contributes to state-sponsored retirement plans for its employees. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018, depending on the provinces of the employees' registered residences and their current region of work, the subsidiary contributed certain percentages of the basic salaries of its employees and had no further obligations for the actual payment of pensions or postretirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

(b) Manpower service expenses

During the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018, the Group entered into certain manpower service arrangements with several external manpower service organisations in the PRC. Under these arrangements, certain of the Group's manpower requirements were fulfilled by these organisations at agreed service fees whereas the human resources provided were directly employed by the relevant service organisations. The individuals providing services to the Group do not have any employment relationship with the Group.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two, three, three, three and three directors for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018, respectively, whose emoluments are reflected in the analysis presented in Note 30. The emoluments payable to the remaining three, two, two, two and two individuals for the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018 are as follows:

	Year ended 31 December			**Four months ended 30 April**	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Wages and salaries	496	855	1,095	365	365
Pension costs — defined contribution plans	108	66	127	37	46
	604	921	1,222	402	411

The emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 December			**Four months ended 30 April**	
	2015	**2016**	**2017**	**2017**	**2018**
				(unaudited)	
Emolument bands					
Not more than HK$500,000	3	—	—	2	2
HK$500,001 - HK$1,000,000	—	2	2	—	—
	3	2	2	2	2

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 Finance costs, net

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Finance income					
Interest income on cash and cash equivalents	24	32	99	16	22
Finance costs					
Interest expense on borrowings	(1,830)	(950)	(615)	(211)	(166)
Bank charges	(152)	(148)	(185)	(76)	(58)
	(1,982)	(1,098)	(800)	(287)	(224)
Finance costs, net	(1,958)	(1,066)	(701)	(271)	(202)

11 Income tax expense

During the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit.

During the year ended 31 December 2015, the Group's subsidiary in the PRC is subject to corporate income tax ("CIT") at a standard rate of 25%.

During the years ended 31 December 2016 and 2017 and the four months ended 30 April 2017 and 2018, the Group's subsidiary in the PRC has qualified for new/high-tech technology enterprises status and is therefore subject to a preferential income tax rate of 15%.

	Year ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current income tax					
- PRC CIT	4,029	3,378	4,724	2,043	1,905
- Hong Kong profits tax	215	262	414	142	981
Total current income tax	4,244	3,640	5,138	2,185	2,886
Deferred income tax (Note 22)	358	972	101	96	197
Income tax expense	4,602	4,612	5,239	2,281	3,083

The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of subsidiaries now comprising the Group as follows:

	Year ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before income tax	18,594	26,693	33,750	11,052	17,017
Tax calculated at tax rates applicable to profits of the respective subsidiaries	4,530	4,028	5,031	1,616	2,577
Tax effect of:					
Income not subject to tax	(28)	—	—	—	—
Expenses not deductible for tax purpose	116	233	894	713	734
Re-measurement of deferred tax — change in the tax status of the PRC subsidiary	—	863	—	—	—
Tax exemption and rebate	(16)	(512)	(686)	(48)	(228)
Income tax expense	4,602	4,612	5,239	2,281	3,083

The changes in the weighted average applicable tax rate were mainly due to the changes in the proportion of the taxable profit under Hong Kong profits tax and CIT which were subject to different applicable tax rates.

During the year ended 31 December 2016, as a result of the Group's subsidiary in the PRC qualifying for new/high-tech technology enterprises status, the relevant deferred tax balances have been re-measured. Deferred tax expected to reverse after the year ended 31 December 2016 has been measured using the effective tax rate of 15%.

12 Earnings per share

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period.

In determining the weighted average number of ordinary shares deemed to be in issue during the Track Record Period, 480 ordinary shares, being the number of issued ordinary shares of the Company as at 30 April 2018, were deemed to have been issued and allocated on 1 January 2015 as if the Company has been incorporated by then. In addition, the aforementioned 480 ordinary shares have been adjusted and applied retrospectively for the proportional changes in the number of ordinary shares with corresponding change in resources as a result of the issuance of ordinary shares by the Company as part of the group reorganisation described in notes 1.2(c) and 1.2 (g) when computing the basic and diluted earnings per share for each year/period of the Track Record Period.

	Year ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit attributable to owners of the Company (RMB'000)	13,992	22,081	28,511	8,771	13,934
Weighted average number of ordinary shares in issue	408	408	456	415	480
Basic and diluted earnings per share (RMB'000)	34.29	54.12	62.53	21.13	29.03

There were no differences between the basic and diluted earnings per share as there were no potential dilutive ordinary shares outstanding during the Track Record Period.

The earnings per share has not taken into account the proposed capitalisation issue pursuant to the shareholders' resolution dated 25 July 2018 because the proposed capitalisation issue has not been effected as at the date of this report.

13 Properties, plant and equipment

	Buildings	Furniture and fixtures	Office equipment	Plant and machinery	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015						
Cost	6,015	904	704	86,622	1,461	95,706
Accumulated depreciation	(381)	(578)	(394)	(70,804)	(1,031)	(73,188)
Net book amount	5,634	326	310	15,818	430	22,518
Year ended 31 December 2015						
Opening net book amount	5,634	326	310	15,818	430	22,518
Additions	—	—	1,078	981	84	2,143
Depreciation	(301)	(169)	(250)	(7,906)	(128)	(8,754)
Disposals	—	—	—	(44)	—	(44)
Closing net book amount	5,333	157	1,138	8,849	386	15,863
At 31 December 2015						
Cost	6,015	904	1,782	87,556	1,545	97,802
Accumulated depreciation	(682)	(747)	(644)	(78,707)	(1,159)	(81,939)
Net book amount	5,333	157	1,138	8,849	386	15,863
Year ended 31 December 2016						
Opening net book amount	5,333	157	1,138	8,849	386	15,863
Additions	—	—	80	649	—	729
Depreciation	(301)	(94)	(348)	(4,046)	(152)	(4,941)
Disposals	—	(22)	(17)	(286)	(17)	(342)
Closing net book amount	5,032	41	853	5,166	217	11,309
At 31 December 2016						
Cost	6,015	503	1,696	87,384	1,385	96,983
Accumulated depreciation	(983)	(462)	(843)	(82,218)	(1,168)	(85,674)
Net book amount	5,032	41	853	5,166	217	11,309

	Buildings	Furniture and fixtures	Office equipment	Plant and machinery	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2017						
Opening net book amount	5,032	41	853	5,166	217	11,309
Additions	—	—	988	3,686	615	5,289
Depreciation	(301)	(17)	(369)	(1,519)	(152)	(2,358)
Disposals	—	—	(4)	(383)	—	(387)
Closing net book amount	4,731	24	1,468	6,950	680	13,853
At 31 December 2017						
Cost	6,015	484	2,488	78,863	2,000	89,850
Accumulated depreciation	(1,284)	(460)	(1,020)	(71,913)	(1,320)	(75,997)
Net book amount	4,731	24	1,468	6,950	680	13,853
Four months ended 30 April 2018						
Opening net book amount	4,731	24	1,468	6,950	680	13,853
Additions	—	—	155	753	465	1,373
Depreciation	(100)	(5)	(157)	(422)	(82)	(766)
Disposals	—	—	—	(4)	—	(4)
Closing net book amount	4,631	19	1,466	7,277	1,063	14,456
At 30 April 2018						
Cost	6,015	484	2,643	79,596	2,465	91,203
Accumulated depreciation	(1,384)	(465)	(1,177)	(72,319)	(1,402)	(76,747)
Net book amount	4,631	19	1,466	7,277	1,063	14,456

	Buildings	Furniture and fixtures	Office equipment	Plant and machinery	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)						
Four months ended 30 April 2017						
Opening net book amount	5,032	41	853	5,166	217	11,309
Additions	—	—	234	885	—	1,119
Depreciation	(100)	(6)	(98)	(582)	(41)	(827)
Disposals	—	—	(4)	(352)	—	(356)
Closing net book amount	4,932	35	985	5,117	176	11,245
At 30 April 2017						
Cost	6,015	502	1,783	87,226	1,386	96,912
Accumulated depreciation	(1,083)	(467)	(798)	(82,109)	(1,210)	(85,667)
Net book amount	4,932	35	985	5,117	176	11,245

During the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018, depreciation expenses of RMB429,000, RMB449,000, RMB495,000, RMB151,000 and RMB174,000 have been charged in administrative expenses; RMB77,000, RMB93,000, RMB122,000, RMB31,000 and RMB72,000 have been charged in selling expenses; RMB8,237,000, RMB4,341,000, RMB1,720,000, RMB620,000 and RMB502,000 have been charged in cost of sales; and RMB11,000, RMB58,000, RMB21,000, RMB25,000 and RMB18,000 have been included in inventories.

14 Intangible assets

	System software *RMB'000*
At 1 January 2015	
Cost	111
Accumulated amortisation	(69)
Net book amount	42
Year ended 31 December 2015	
Opening net book amount	42
Amortisation (Note 6)	(42)
Closing net book amount	—
At 31 December 2015	
Cost	111
Accumulated amortisation	(111)
Net book amount	—
Year ended 31 December 2016	
Opening net book amount	—
Additions	1,762
Amortisation (Note 6)	(42)
Closing net book amount	1,720
At 31 December 2016	
Cost	1,873
Accumulated amortisation	(153)
Net book amount	1,720
Year ended 31 December 2017	
Opening net book amount	1,720
Additions	119
Amortisation (Note 6)	(361)
Closing net book amount	1,478

	System software
	RMB'000
At 31 December 2017	
Cost	1,881
Accumulated amortisation	(403)
Net book amount	1,478
Four months ended 30 April 2018	
Opening net book amount	1,478
Additions	27
Amortisation (Note 6)	(130)
Closing net book amount	1,375
At 30 April 2018	
Cost	1,908
Accumulated amortisation	(533)
Net book amount	1,375
Four months ended 30 April 2017 (Unaudited)	
Opening net book amount	1,720
Additions	—
Amortisation (Note 6)	(119)
Closing net book amount	1,601
At 30 April 2017	
Cost	1,762
Accumulated amortisation	(161)
Net book amount	1,601

During the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018, amortisation expenses of RMB42,000, RMB13,000, RMB51,000, RMB9,000 and RMB9,000 have been charged in administrative expenses; and Nil, RMB29,000, RMB310,000, RMB110,000 and RMB121,000 have been charged in cost of sales.

15 Financial instruments by category

	Loans and receivables	Financial assets at fair value through profit or loss	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2015			
Assets as per balance sheets			
Financial assets at fair value through profit or loss (Note 18)	—	12,669	12,669
Trade and bills receivables (Note 20)	52,987	—	52,987
Deposits and other receivables (Note 16)	2,052	—	2,052
Amount due from a related party (Note 28)	2,530	—	2,530
Pledged bank deposits (Note 19)	615	—	615
Cash and cash equivalents (Note 19)	28,901	—	28,901
	87,085	12,669	99,754
31 December 2016			
Assets as per balance sheets			
Financial assets at fair value through profit or loss (Note 18)	—	20,254	20,254
Trade and bills receivables (Note 20)	80,730	—	80,730
Deposits and other receivables (Note 16)	1,752	—	1,752
Amount due from a related party (Note 28)	4,000	—	4,000
Pledged bank deposits (Note 19)	1,490	—	1,490
Cash and cash equivalents (Note 19)	21,241	—	21,241
	109,213	20,254	129,467
31 December 2017			
Assets as per balance sheets			
Trade and bills receivables (Note 20)	71,090	—	71,090
Deposits and other receivables (Note 16)	5,489	—	5,489
Cash and cash equivalents (Note 19)	53,134	—	53,134
	129,713	—	129,713

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
	RMB'000	*RMB'000*	*RMB'000*
30 April 2018			
Assets as per balance sheets			
Trade and bills receivables (Note 20)	150,170	—	150,170
Deposits and other receivables (Note 16)	5,451	—	5,451
Cash and cash equivalents (Note 19)	51,183	—	51,183
	206,804	—	206,804

	Financial liabilities at amortised cost
	RMB'000
31 December 2015	
Liabilities as per balance sheets	
Trade payables (Note 23)	33,082
Other payables and accruals (Note 24)	6,962
Amounts due to related parties (Note 28)	29,309
Bank borrowings (Note 25)	20,628
	89,981
31 December 2016	
Liabilities as per balance sheets	
Trade payables (Note 23)	53,182
Other payables and accruals (Note 24)	3,272
Amounts due to related parties (Note 28)	22,382
Bank borrowings (Note 25)	12,326
	91,162
31 December 2017	
Liabilities as per balance sheets	
Trade payables (Note 23)	55,632
Other payables and accruals (Note 24)	3,828
Bank borrowings (Note 25)	5,000
	64,460
30 April 2018	
Liabilities as per balance sheets	
Trade payables (Note 23)	150,101
Other payables and accruals (Note 24)	5,970
Bank borrowings (Note 25)	13,466
	169,537

16 Prepayments, deposits and other receivables

The Group

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total				
Prepayments	821	2,321	3,851	10,773
Deposits (Note a)	772	416	4,815	4,947
Other receivables (Note a and b)	1,280	1,336	674	504
Prepaid listing expenses (Note c)	—	—	1,486	2,527
	2,873	4,073	10,826	18,751
Non-current portion				
Deposits	(394)	(336)	(401)	(536)
Prepayments for the acquisition of property, plant and equipment	—	—	—	(1,897)
Less: non-current portion	(394)	(336)	(401)	(2,433)
Current portion	2,479	3,737	10,425	16,318

The Company

	As at 31 December	As at 30 April
	2017	**2018**
	RMB'000	*RMB'000*
Current		
Prepaid listing expenses (Note c)	1,486	2,527

Notes:

(a) As at 31 December 2015, 2016 and 2017 and 30 April 2018, the carrying amounts of deposits and other receivables approximated their fair values.

(b) The amounts were unsecured, interest free and repayable on demand.

(c) The prepaid listing expenses are incurred in connection with the listing of the Group and will be deducted from equity upon the listing of the Group.

The carrying amounts of the Group's prepayments, deposits and other receivables were denominated in the following currencies:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	2,830	2,034	7,857	10,207
USD	38	2,035	31	30
HK$	5	4	2,938	8,514
	2,873	4,073	10,826	18,751

The carrying amount of the Company's prepayments was denominated in the following currencies:

	As at 31 December	As at 30 April
	2017	**2018**
	RMB'000	*RMB'000*
RMB	174	494
USD	24	24
HK$	1,288	2,009
	1,486	2,527

17 Inventories

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	13,811	13,111	25,477	36,935
Work in progress	2,550	2,672	982	4,249
Finished goods	5,782	5,823	4,990	29,128
	22,143	21,606	31,449	70,312

The cost of inventories recognised as expense and included in cost of sales during the years ended 31 December 2015, 2016 and 2017 and the four months ended 2017 and 2018 amounted to RMB147,107,000, RMB218,985,000, RMB308,439,000, RMB112,045,000 and RMB153,092,000 respectively, which included inventory provision amounting to RMB229,000, RMB967,000, RMB1,072,000, RMB477,000 and RMB150,000, respectively.

18 Financial assets at fair value through profit or loss

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Listed equity securities — held-for-trading – PRC (note a)	2,169	754	—	—
Unlisted financial products — held-for-trading – PRC (note b)	10,500	19,500	—	—
	12,669	20,254	—	—

Purchase and disposal of financial assets at fair value through profit or loss are presented within investing activities in the consolidated statements of cash flows.

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other gains/(losses), net' in the consolidated income statements (Note 8).

(a) Listed equity securities — held-for-trading

Amount represented equity interest listed on the Shenzhen Stock Exchange and Shanghai Stock Exchange in the PRC. The fair value of all listed equity securities is based on their current bid prices in an active market. The fair value measurement of the listed equity securities is categorised within level 1 of the fair value hierarchy.

(b) Unlisted financial products — held-for-trading

Unlisted financial products are mainly investments in trust schemes and private investment funds. They have initial terms ranging from 1 to 14 days. The fair values of these investments approximated their carrying values as at 31 December 2015 and 2016. The fair value measurement of the unlisted financial products is categorised within level 2 of the fair value hierarchy.

19 Cash and cash equivalents and pledged bank deposits

The Group

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks	29,434	22,569	53,032	55,162
Cash on hand	82	162	102	66
Less: pledged bank deposits	(615)	(1,490)	—	(4,045)
Cash and cash equivalents	28,901	21,241	53,134	51,183
Maximum exposure to credit risk	29,434	22,569	53,032	55,162

As at 31 December 2015, 2016 and 30 April 2018, deposits amounted to RMB615,000, RMB1,490,000 and RMB4,045,000 respectively were pledged for the facilities granted by banks to the Group, details of which are set out in Note 25.

Cash and cash equivalents include the following for the purposes of the consolidated statements of cash flows:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	28,901	21,241	53,134	51,183

The carrying amounts of the Group's cash and cash equivalents and pledged bank deposits are denominated in the following currencies:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	14,937	19,085	36,419	37,559
USD	14,500	3,591	7,015	12,172
HK$	79	55	9,700	5,497
	29,516	22,731	53,134	55,228

Cash at banks earned interest at floating rates based on daily bank deposits rate. As at 31 December 2015, 2016 and 2017 and 30 April 2018, the carrying amounts of cash and cash equivalents approximated their fair values.

As at 31 December 2015, 2016 and 2017 and 30 April 2018, cash and cash equivalent of the Group amounting to approximately RMB14,241,000, RMB17,611,000, RMB39,296,000 and RMB40,217,000, respectively, are deposited with the banks in the PRC where the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the Government of the PRC.

The Company

Cash and cash equivalents represent cash at banks and denominated in HK$.

20 Trade and bills receivables

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	47,292	69,663	61,490	146,115
Bills receivables	5,695	11,067	9,600	4,055
Less: allowance for impairment of trade and bills receivables	—	—	—	—
	52,987	80,730	71,090	150,170

As at 31 December 2015, 2016 and 2017 and 30 April 2018, the carrying amounts of trade and bills receivables approximated their fair values.

The Group's sales are on credit terms primarily from 30 to 120 days.

As at 31 December 2015, 2016 and 2017 and 30 April 2018, the aging analysis of trade and bills receivables, based on invoice date, was as follows:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1 to 3 months	50,079	77,944	69,248	146,247
Over 3 months	2,908	2,786	1,842	3,923
	52,987	80,730	71,090	150,170

As at 31 December 2015, 2016 and 2017 and 30 April 2018, the aging analysis of trade and bills receivables, based on due date, was as follows:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current	48,025	71,367	62,684	133,673
1 to 3 months	4,903	7,886	6,564	12,629
Over 3 months	59	1,477	1,842	3,868
	52,987	80,730	71,090	150,170

As at 31 December 2015, 2016 and 2017 and 30 April 2018, trade receivables of approximately RMB4,962,000, RMB9,363,000, RMB8,406,000 and RMB16,497,000, respectively were past due.

For these past due trade receivables, the Group has assessed the expected credit losses by considering historical default rates, existing market conditions and forward-looking information. Based on the assessment, expected credit loss rate of trade receivables is close to zero. Therefore, the loss allowance provision for these trade receivables balances was not material.

The carrying amounts of the Group's trade and bills receivables were denominated in the following currencies:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	52,874	75,842	67,462	144,718
USD	113	4,888	3,628	5,452
	52,987	80,730	71,090	150,170

The maximum exposure to credit risk as at 31 December 2015, 2016 and 2017 and 30 April 2018 was the carrying value of the receivables mentioned above. The Group does not hold any collateral as security.

21 Share capital and share premium

The Group and the Company

	Number of shares	Nominal value *HK$*
Share capital		
Authorised:		
Ordinary shares of HK$0.01	38,000,000	380,000

	Number of shares	Nominal value *HK$*
Issued:		
At 15 March 2017 (date of incorporation) (Note 1.2(a))	340	3
Issue of ordinary shares on 18 May 2017 and 8 June 2017 (Note 1.2(g) & (j))	140	1
At 31 December 2017 and 30 April 2018	480	4

On 25 July 2018, the authorised share capital of the Company was increased to HK$80,000,000 comprising 8,000,000,000 shares of HK$0.01 each.

On 15 March 2017, 340 ordinary shares were issued at approximately HK$3. During the year ended 31 December 2017, 140 additional ordinary shares were issued at approximately HK$1 pursuant to the Group's Reorganisation as detailed in Note 1.2. As at 31 December 2017 and 30 April 2018, total issued number and nominal value of ordinary shares of the Company amounted to 480 shares and HK$4.8 respectively.

Share premium

Share premium represents the excess of total cash consideration received from issuance of 40 ordinary shares on 18 May 2017, being HK$13,860,000 (approximately RMB 12,165,000), over their par value at HK$0.40 as detailed in Note 1.2(g).

22 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority.

The analysis of deferred income tax assets is as follows:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets to be recovered after more than 12 months	406	618	279	473
Deferred tax asset to be recovered within 12 months	1,752	568	806	415
	2,158	1,186	1,085	888

The gross movement on the deferred income tax assets is as follows:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year	2,516	2,158	1,186	1,085
Charged to consolidated income statements (Note 11)	(358)	(972)	(101)	(197)
At end of year	2,158	1,186	1,085	888

The movement in deferred income tax assets during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Tax depreciation	PRC accrued expenses	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2015	1,715	801	2,516
(Charged)/credited to the consolidated income statements	(733)	375	(358)
At 31 December 2015	982	1,176	2,158
Charged to the consolidated income statements	(559)	(413)	(972)
At 31 December 2016	423	763	1,186
(Charged)/credited to the consolidated income statements	(118)	17	(101)
At 31 December 2017	305	780	1,085
(Charged)/credited to the consolidated income statements	(212)	15	(197)
At 30 April 2018	93	795	888

The Group had undistributed earnings of RMB11,173,000, RMB31,928,000, RMB62,949,000 and RMB72,055,000 as at 31 December 2015, 2016 and 2017 and 30 April 2018 respectively, which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions of dividends from the PRC subsidiary and is not expected to distribute these profits in the foreseeable future.

23 Trade payables

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	33,082	53,182	55,632	150,101

As at 31 December 2015, 2016 and 2017, the aging analysis of trade payables, based on invoice date, was as follows:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	7,502	17,430	24,467	111,362
1 to 2 months	8,946	21,295	13,976	27,024
2 to 3 months	1,258	6,482	11,183	5,045
Over 3 months	15,376	7,975	6,006	6,670
	33,082	53,182	55,632	150,101

The carrying amounts of the Group's trade payables were denominated in the following currencies:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	32,946	48,916	45,561	137,593
USD	136	4,266	10,071	12,508
	33,082	53,182	55,632	150,101

As at 31 December 2015, 2016 and 2017 and 30 April 2018, the carrying amounts of trade payables approximated their fair values.

24 Receipts in advance, other payables and accruals

The Group

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other payables	6,952	3,236	2,548	4,492
Other tax payables	5,417	8,548	5,743	8,879
Accruals	9,960	12,079	10,847	9,267
Accrued listing expenses	—	—	562	405
Receipts in advance (Note 5(c))	5,958	1,680	11,389	19,553
	28,287	25,543	31,089	42,596

The Company

	As at 31 December 2017	As at 30 April 2018
	RMB'000	*RMB'000*
Accrued listing expenses	562	405

As at 31 December 2015, 2016 and 2017 and 30 April 2018, the carrying amounts of other payables, accruals and receipts in advance approximated their fair values. They were unsecured, interest free and repayable on demand.

The carrying amounts of the Group's receipts in advance, other payables and accruals were denominated in the following currencies:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	22,952	24,291	22,713	23,082
USD	5,325	1,241	8,067	19,514
HK$	10	11	309	—
	28,287	25,543	31,089	42,596

The carrying amounts of the Company's accruals were denominated in RMB.

25 Bank borrowings

Bank borrowings are analysed as follows:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings due for repayment within one year - secured	18,050	12,326	5,000	13,466
Trade financing due for repayment within one year - secured	2,578	—	—	—
	20,628	12,326	5,000	13,466

As at 31 December 2015, the Group's bank borrowings were carried at floating rate ranged from 4.5% to 8.1% per annum. As at 31 December 2016, the Group's bank borrowings were carried at floating rate ranged from 5.7% to 6.3% per annum. As at 31 December 2017, the Group's borrowings loans were carried at floating rate ranged from 5.7% to 6.6% per annum. As at 30 April 2018, the Group's borrowings loans were carried at floating rate ranged from 5.7% to 6.6% per annum.

As at 31 December 2015, 2016 and 2017 and 30 April 2018, the carrying amounts of the borrowings approximated their fair values.

As at 31 December 2015, the above borrowings are secured by properties, plant and equipment with carrying amounts of RMB7,597,000; trade receivables with carrying amounts of RMB2,578,000,; inventories with carrying amounts of RMB2,050,000; pledged bank deposits with carrying amounts of RMB615,000; personal guarantee from Mr. Ma and Ms. Cheng Lihong; and corporate guarantee from a related company.

As at 31 December 2016, the above borrowings are secured by properties, plant and equipment with carrying amounts of RMB5,391,000; inventories with carrying amounts of RMB4,326,000; pledged bank deposits with carrying amounts of RMB1,490,000; and personal guarantee from Mr. Ma and Ms. Cheng Lihong.

As at 31 December 2017, the above borrowings are secured by properties, plant and equipment with carrying amounts of RMB4,731,000 and personal guarantee from Mr. Ma.

As at 31 December 2017, the personal guarantee provided by Ms. Cheng Lihong remains in place but no bank borrowings were drawn from the corresponding bank facilities.

As at 30 April 2018, the above borrowings are secured by properties, plant and equipment with carrying amounts of RMB4,631,000; inventories with carrying amounts of RMB8,466,000; pledged bank deposits with carrying amounts of RMB4,045,000; and personal guarantee from Mr. Ma and Ms. Cheng Lihong.

The personal guarantee provided by Mr. Ma and Ms. Cheng Lihong will be replaced by corporate guarantee provided by the Company upon listing.

At 31 December 2015, 2016 and 2017 and 30 April 2018, the Group's bank borrowings were repayable as follows:

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	20,628	12,326	5,000	13,466

The carrying amounts of the Group's bank borrowings are denominated in RMB.

26 Notes to the consolidated statements of cash flows

(a) Reconciliation of profit before income tax for the Track Record Period to net cash generated from operations

	Year ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before income tax	18,594	26,693	33,750	11,052	17,017
Adjustments for:					
Finance income	(24)	(32)	(99)	(16)	(22)
Finance expenses	1,982	1,098	800	287	224
Depreciation	8,743	4,883	2,337	802	748
Amortisation	42	42	361	119	130
Provision for inventories	229	967	1,072	477	150
Net realised and unrealised (gains)/losses on financial assets at fair value through profit or loss	(269)	168	(61)	124	—
Gain on disposal of properties, plant and equipment	(5)	(129)	(742)	(22)	4

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Dividend income on financial assets at fair value through profit or loss	—	(39)	—	—	—
	29,292	33,651	37,418	12,823	18,251
Changes in working capital:					
- Trade and bills receivables	13,809	(27,561)	9,447	(14,343)	(79,118)
- Prepayments, deposits and other receivables	(1,659)	(1,111)	(5,568)	(1,833)	(5,113)
- Inventories	(21,319)	(372)	(10,894)	(35,450)	(38,995)
- Trade payables	13,540	20,745	2,130	62,907	94,469
- Receipts in advance, other payables and accruals	3,380	(2,926)	5,716	249	12,200
Net cash generated from operations	37,043	22,426	38,249	24,353	1,694

(b) ***In the consolidated statements of cash flows, proceeds from disposal of properties, plant and equipment comprise:***

	Year ended 31 December			Four months ended 30 April	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Net book amount disposed	44	342	387	356	4
Gain on disposal of properties, plant and equipment	5	129	742	22	(4)
Proceeds from disposal of properties, plant and equipment	49	471	1,129	378	—

(c) The reconciliations of liabilities arising from financing activities is as follows:

	Amounts due to related parties	**Bank borrowings**
	RMB'000	*RMB'000*
At 1 January 2015	37,753	17,165
Cash flows		
- Proceeds from bank borrowings	—	78,830
- Repayment of bank borrowings	—	(75,367)
- Proceeds from amounts due to related parties	319	—
- Repayment of amounts due to related parties	(10,113)	—
- Currency translation differences	1,350	—
At 31 December 2015	29,309	20,628
Cash flows		
- Proceeds from bank borrowings	—	21,088
- Repayment of bank borrowings	—	(29,390)
- Proceeds from amounts due to related parties	2,200	—
- Repayment of amounts due to related parties	(10,096)	—
- Currency translation differences	969	—
At 31 December 2016	22,382	12,326
Cash flows		
- Proceeds from bank borrowings	—	14,316
- Repayment of bank borrowings	—	(21,642)
- Proceeds from amounts due to related parties	8,130	—
- Repayment of amounts due to related parties	(29,716)	—
- Currency translation differences	(796)	—
At 31 December 2017	—	5,000
Cash flow		
- Proceeds from bank borrowings	—	8,466
At 30 April 2018	—	13,466

27 Commitments

(a) *Capital commitments*

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for	—	663	—	1,370

(b) *Operating lease commitments*

At 31 December 2015, 2016 and 2017 and 30 April 2018, the total future minimum lease payments under non-cancellable operating leases in respect of offices, warehouses, production plant and staff quarters are payable as follows:

	As at 31 December			As at 30 April
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	1,563	2,558	7,635	4,829
After 1 year and no later than 5 years	10,689	7,186	5,542	5,944
	12,252	9,744	13,177	10,773

28 Related party transactions

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

The ultimate holding company and controlling shareholders are disclosed in Note 1.1.

Major related parties that had transactions with the Group during the Track Record Period were as follows:

Related parties	Relationship with the Company			
	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
Ma Fujun	Director and shareholder	Director and shareholder	Director and shareholder	Director and shareholder
Cheng Lihong	Shareholder	Shareholder	Shareholder	Shareholder
Chen Xiaoyuan	Director and shareholder	Director and shareholder	Director and shareholder	Director and shareholder
Cheng Bin	Director and shareholder	Director and shareholder	Director and shareholder	Director and shareholder
Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司) (formerly known as 深圳前海恒昌盛電子科技有限公司)	Controlled by a director	Controlled by a director	Controlled by a director	Controlled by a director
Shenzhen City Bao'an District Shajing Cewei Electronics Business Department* (深圳市寶安區沙井策為電子經營部)	Controlled by a director	Controlled by a director	Controlled by a director	Controlled by a director

* *For identification purpose only*

(a) Balances with related parties

	As at 31 December			As at 30 April
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receivable from a company controlled by a director#				
Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司)	2,530	4,000	—	—
Payable to a director#				
Ma Fujun	(26,696)	(22,382)	—	—
Payable to a company controlled by a director#				
Shenzhen City Bao'an District Shajing Cewei Electronics Business Department* (深圳市寶安區沙井策為電子經營部)	(2,613)	—	—	—

Balances were unsecured, interest free and repayable within the next twelve months. Their carrying amounts approximate their fair values. These balances are not derived from operating activities and are non-trade in nature.

* *For identification purpose only*

(b) Transactions with related parties

Save as disclosed elsewhere in the Historical Financial Information, during the Track Record Period, the following transactions were carried out with related parties at terms mutually agreed by both parties:

(i) Personal guarantee provided by Mr. Ma and Ms. Cheng Lihong

During the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2017 and 2018, certain of the Group's bank loans were secured by personal guarantee from Mr. Ma and Ms. Cheng Lihong as set out in Note 25.

(ii) Corporate guarantee provided by a related company

During the year ended 31 December 2015 and 2016, certain of the Group's bank loans were secured by corporate guarantee from a related company as set out in Note 25. As at 31 December 2016, the corporate guarantee was released.

(iii) Corporate guarantee provided to a related company controlled by Mr. Ma

During the years ended 31 December 2015, 2016 and 2017, the subsidiary operating in the PRC has provided a corporate guarantee of RMB13,800,000 to a related company as set out in Note 30(d). As at 31 December 2017, the corporate guarantee was released.

(c) Key management compensation

Key management include directors compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December			Four months ended 30 April	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Wages and salaries	465	1,738	2,373	787	795
Pension costs - defined contribution plan	111	122	219	67	71
	576	1,860	2,592	854	866

29 Dividend

No dividend has been paid or declared by the Company since its incorporation.

30 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of each director is set out below:

Name of Director	Fees	Salary	Discretionary bonus	Allowances and benefits in kind	Employer's contribution to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2015						
Directors						
- Ma Fujun	—	180	—	—	48	228
- Cheng Bin	—	120	39	—	32	191
- Chen Xiaoyuan	—	115	11	—	31	157
	—	415	50	—	111	576

Name of Director	Fees	Salary	Discretionary bonus	Allowances and benefits in kind	Employer's contribution to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2016						
Directors						
- Ma Fujun	—	182	550	—	47	779
- Cheng Bin	—	122	434	—	31	587
- Chen Xiaoyuan	—	177	241	—	42	460
	—	481	1,225	—	120	1,826

Name of Director	Fees	Salary	Discretionary bonus	Allowances and benefits in kind	Employer's contribution to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2017						
Directors						
- Ma Fujun	—	360	500	—	73	933
- Cheng Bin	—	250	396	—	61	707
- Chen Xiaoyuan	—	250	206	—	66	522
	—	860	1,102	—	200	2,162

Name of Director	Fees	Salary	Discretionary bonus	Allowances and benefits in kind	Employer's contribution to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the four months ended 30 April 2018						
Directors						
- Ma Fujun	—	120	167	—	25	312
- Cheng Bin	—	83	132	—	22	237
- Chen Xiaoyuan	—	83	69	—	22	174
	—	286	368	—	69	723

Name of Director	Fees	Salary	Discretionary bonus	Allowances and benefits in kind	Employer's contribution to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the four months ended 30 April 2017 (Unaudited)						
Directors						
- Ma Fujun	—	120	167	—	23	310
- Cheng Bin	—	83	132	—	21	236
- Chen Xiaoyuan	—	83	69	—	21	173
	—	286	368	—	65	719

Mr. Ma Fujun, Mr. Cheng Bin and Ms. Chen Xiaoyuan were appointed as executive directors of the Company on 28 February 2018. They were also directors of certain subsidiaries of the Company and/or employees of the Group during the Track Record Period and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group before their appointment as executive directors of the Company.

Mr. Wu Chi-luen, Mr. Chow Kit Ting and Mr. Chan Chung Kik Lewis were appointed as independent non-executive directors of the Company on 25 July 2018. During the Track Record Period, the independent non-executive directors have not yet been appointed and received nil directors' remuneration in the capacity of directors.

During the Track Record Period, none of the directors of the Company (i) received or paid any remuneration in respect of accepting office; (ii) received or paid emoluments in respect of services in connection with the management of the affairs of the Company or its subsidiaries undertaking; and (iii) waived or has agreed to waive any emolument.

(b) Directors' retirement benefits and termination benefits

During the Track Record Period, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable.

(c) Consideration provided to third parties for making available directors' services

During the Track Record Period, no consideration was provided to third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

Name of the borrower	Nature of connection	Nature of guarantee or security	Maximum liability that may be incurred under the guarantee			
			Individually in aggregate at the beginning of the year	Individually in aggregate at the end of the year	During the year	Amounts/ Aggregate amounts paid or liability/ aggregate liabilities incurred during the financial year for the purpose of fulfilling the guarantee or discharging the security
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2015:						
Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司)	Controlled body corporate of Mr. Ma	Guarantee	—	13,800	13,800	—
For the year ended 31 December 2016:						
Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司)	Controlled body corporate of Mr. Ma	Guarantee	13,800	13,800	13,800	—
For the year ended 31 December 2017:						
Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司)	Controlled body corporate of Mr. Ma	Guarantee	13,800	—	13,800	—

* *For identification purpose only*

Name of the borrower	Nature of connection	Nature of guarantee or security	Maximum liability that may be incurred under the guarantee: Individually in aggregate at the beginning of the year	Individually in aggregate at the end of the year	During the year	Amounts/ Aggregate amounts paid or liability/ aggregate liabilities incurred during the financial year for the purpose of fulfilling the guarantee or discharging the security
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the four months ended 30 April 2018:						
Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司)	Controlled body corporate of Mr. Ma	Guarantee	—	—	—	—
For the four months ended 30 April 2017 (Unaudited):						
Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司)	Controlled body corporate of Mr. Ma	Guarantee	13,800	13,800	13,800	—

Except for guarantee provided by the Group to Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司) which was controlled by Mr. Ma, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities.

* *For identification purpose only*

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed elsewhere in the Historical Financial Information, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Track Record Period or at any time during the Track Record Period.

31 Assets pledged as securities

The carrying amounts of assets pledged as securities for current borrowings are:

					As at
			As at 31 December		**30 April**
	Notes	**2015**	**2016**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current					
Floating charge					
Pledged bank deposits		615	1,490	—	4,045
Trade receivables		2,578	—	—	—
Inventories		2,050	4,326	—	8,466
Total current assets pledged as security		5,243	5,816	—	12,511
Non-current					
Floating charge					
Properties, plant and equipment		7,597	5,391	4,731	4,631
Total non-current assets pledged as security		7,597	5,391	4,731	4,631
Total assets pledged as security		12,840	11,207	4,731	17,142

32 Interests in subsidiaries

	As at 31 December 2017	As at 30 April 2018
	RMB'000	*RMB'000*
Equity investment at cost (Note a)	—	—
Amounts due from subsidiaries (Note b)	19,949	19,949
	19,949	19,949

Note:

(a) The balance represents the Company's 100% interest amounting to 1 USD in Total United Holdings Limited as detailed in Note 1.2.

(b) The amounts due from subsidiaries represent the purchase consideration for acquisition of Shenzhen Hengchang Sheng and Eternity Technology Limited, which the Company settled on behalf of Agreeable Company Limited and Total United Holdings Limited respectively. These amounts are unsecured, interest-free, with no fixed repayment terms. Settlement of these amounts are neither planned nor likely to occur the foreseeable future. As a result, these amounts are considered part of the Company's net investment in Agreeable Company Limited and Total United Holdings Limited.

33 Amounts due from subsidiaries and amount due to a subsidiary

Amounts due from subsidiaries and amount due to a subsidiary were unsecured, interest free and repayable on demand. Their carrying amounts approximated their fair values and were denominated in HK$ and RMB, respectively.

34 Reserve movements of the Company

	Capital reserve *RMB'000*	Exchange reserve *RMB'000*	Total reserve *RMB'000*
At 15 March 2017 (Date of incorporation)	—	—	—
Other comprehensive losses			
Currency translation differences	—	(187)	(187)
Total other comprehensive losses	—	(187)	(187)
Transactions with owners			
Capitalisation of loans from shareholders (Note a & Note 1.2(j))	19,692	—	19,692
Total transactions with owners	19,692	—	19,692
At 31 December 2017	19,692	(187)	19,505
At 1 January 2018	19,692	(187)	19,505
Other comprehensive losses			
Currency translation differences	—	(213)	(213)
Total other comprehensive losses	—	(213)	(213)
At 30 April 2018	19,692	(400)	19,292

Note:

(a) During the year ended 31 December 2017, loans from shareholders amounting to HK$22,640,000 (approximately RMB19,692,000) were capitalised in capital reserve.

35 Subsequent events

Save as disclosed elsewhere in this report, the following significant event took place subsequent to 30 April 2018:

Pursuant to the written resolutions passed by the shareholders on 25 July 2018, conditional on the share premium account of the Company being credited as a result of the issue of the offer shares by the Company pursuant to the share offer, the directors were authorised to capitalise an amount of HK$2,249,995.20 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 224,999,520 shares, such shares to be allotted and issued to the shareholders whose names appear on the register of members of the Company at the close of business on 25 July 2018 (or as they may direct) in proportion to their then existing shareholdings in the Company, each ranking equally in all respects with the then existing issued shares.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of subsidiaries now comprising the Group in respect of any period subsequent to 30 April 2018. No dividend or distribution has been declared, made or paid by the Company or any of subsidiaries now comprising the Group in respect of any period subsequent to 30 April 2018.

The information set out in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Share Offer on the net tangible assets of the Group attributable to the equity holders of the Company as of 30 April 2018 as if the Share Offer had taken place on 30 April 2018.

The unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 April 2018 or at any future dates following the Share Offer. The unaudited pro forma statement of adjusted net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 April 2018 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 April 2018 (1)	**Estimated net proceeds from the Share Offer (2)**	**Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company as at 30 April 2018**	**Unaudited pro forma adjusted net tangible assets per Share (3), (5)**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$1.70 per Share	98,646	89,025	187,671	0.626	0.736
Based on an Offer Price of HK$2.00 per Share	98,646	107,194	205,840	0.686	0.807

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 April 2018 is extracted from the Accountant's Report of the Company as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the equity holders of the Company as at 30 April 2018 of approximately RMB100,021,000 with an adjustment for the intangible assets of approximately RMB1,375,000.

(2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK$1.70 per Share and HK$2.00 per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB9.9 million which have been accounted for in the Group's consolidated statement of comprehensive income prior to 30 April 2018) payable by the Company and takes no account of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this prospectus.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in Note 2 above and on the basis that 300,000,000 Shares were in issue assuming that the Share Offer and Capitalization Issue had been completed on 30 April 2018 but takes no account of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this prospectus.

(4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 April 2018.

(5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted to Hong Kong dollars at a rate of RMB0.85 to HK$1.00. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

B. ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Eternity Technology Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Eternity Technology Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 30 April 2018, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 3 August 2018, in connection with the proposed share offer of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed share offer on the Group's financial position as at 30 April 2018 as if the proposed share offer had taken place at 30 April 2018. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the four months ended 30 April 2018, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For 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 Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed share offer at 30 April 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 3 August 2018

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 15 March, 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 Memorandum of Association (the "Memorandum") and its Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 25 July 2018 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly 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 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 and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the

Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise. Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 12 April 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) Register of Beneficial Ownership

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The register of beneficial ownership is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the Company is listed on the Stock Exchange, it is not required to maintain a register of beneficial ownership.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 15 March 2017 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 16 April 2018. We have established a place of business in Hong Kong at Unit 1705, 17/F, Bonham Trade Centre, 50 Bonham Strand, Sheung Wan, Hong Kong. Ms. Xu Jing has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and its constitution comprising the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the company law of the Cayman Islands is set out in Appendix III to this prospectus.

2. Change in share capital

Our authorised share capital as at the date of our incorporation was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. On 15 March 2017, one subscriber Share was transferred to Rich Blessing. On the same day, 322 Shares and 17 Shares were allotted and issued, credited as fully paid, to Rich Blessing and In Good Investment respectively.

On 17 May 2017, In Good Investment transferred 17 Shares to Elite Foster at par value.

On 18 May 2017, 40 Shares of our Company were allotted to Elite Foster at cash consideration of HK$13,860,000.

On 8 June 2017, our Company capitalised the full amount of the shareholder's loans of HK$21,500,000 and HK$1,140,000 granted by Rich Blessing and Elite Foster respectively by allotment and issue of 85 and 15 ordinary Shares, credited as fully paid, to Rich Blessing and Elite Foster, respectively.

On 25 July 2018, the authorised share capital of our Company was increased from HK$380,000 comprising 38,000,000 Shares of HK$0.01 each to HK$80,000,000 comprising 8,000,000,000 Shares of HK$0.01 each by the creation of an additional 7,962,000,000 Shares of HK$0.01 each.

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares that may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK$3,000,000 divided into 300,000,000 Shares, all fully paid or credited as fully paid and 7,700,000,000 Shares will remain unissued.

Save for the aforesaid and as mentioned in the sub-section headed "3. Resolutions in writing of our Shareholders passed on 25 July 2018" below in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of our Shareholders passed on 25 July 2018

Pursuant to the written resolutions passed by our Shareholders on 25 July 2018:

(a) we approved and conditionally adopted the Memorandum and the Articles of Association which will become effective upon the Listing Date;

(b) the authorised share capital of our Company was increased from HK$380,000 to HK$80,000,000 by the creation of an additional 7,962,000,000 Shares;

(c) conditional on (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); (ii) the entering into of the Price Determination Agreement between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on or before the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

(i) the Share Offer was approved and our Directors were authorised to allot and issue the new Shares pursuant to the Share Offer;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in the sub-paragraph headed "D. Other information — 1. Share Option Scheme" below in this Appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme; and

(iii) conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company pursuant to the Share Offer, our Directors were authorised to capitalise an amount of HK$2,249,995.20 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 224,999,520 Shares, such Shares to be allotted and issued to our Shareholders whose names appear on the register of members of our Company at the close of business on 25 July 2018 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing shareholdings in our Company, each ranking *pari passu* in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation.

(iv) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by our Shareholders in general meeting, unissued Shares not exceeding 20% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Share which may fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;

(v) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange of which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Share which may fall to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, 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 number of Shares which may be repurchased pursuant to paragraph (v) above.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. For information relating to the Reorganisation, please refer to the section headed “History, Development and Reorganisation” in this prospectus.

5. Changes in share capital of subsidiaries

Our subsidiaries are referred to in the Accountant's Report in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountant's Report and in the section headed "History, Development and Reorganisation", our Company has no other subsidiaries.

Save as for the changes as mentioned in the section headed "History, Development and Reorganisation" in this prospectus, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

6. Repurchase of the Shares by our Company

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board of Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchase of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to resolution passed by our Shareholders on 25 July 2018, a general unconditional mandate (the "**Repurchase Mandate**") was granted to our Directors authorising the repurchase of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with the total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In a repurchase of securities, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase and, in the case of any premium payable on the purchase, out of either or both of the profits of our Company or the share premium account of our Company. Subject to the Companies Law, a repurchase of Shares may also be paid out of capital.

Our 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 Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) Share capital

Exercise in full of the Repurchase Mandate, on the basis of 300,000,000 Shares in issue immediately after the listing of the Shares (but not taking into account the Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), could accordingly result in up to 30,000,000 Shares being repurchased by our Company during the period until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or

(iii) the date on which the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever occurs first.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No core connected person (as defined in the Listing Rules) 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.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as aforesaid, our Directors are not aware of any consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised.

If the Repurchase Mandate is fully exercised immediately following completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares that may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme), the total number of Shares which will be repurchased pursuant to the Repurchase Mandate shall be 30,000,000 Shares (being 10% of the number of issued Shares based on the aforesaid assumptions). Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

B. INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) an equity transfer agreement dated 25 April 2017 entered into between 馬富軍 (Ma Fujun) and Agreeable Company Limited, pursuant to which Agreeable Company Limited agreed to acquire 59.770833% equity interests in 深圳市恒昌盛科技有限公司 (Shenzhen Hengchang Sheng Technology Company Limited) from Ma Fujun at a cash consideration of RMB10,988,054;

(b) an equity transfer agreement dated 25 April 2017 entered into between 陳筱媛 (Chen Xiaoyuan) and Agreeable Company Limited, pursuant to which Agreeable Company Limited agreed to acquire 18.999999% equity interests in 深圳市恒昌盛科技有限公司 (Shenzhen Hengchang Sheng Technology Company Limited) from Chen Xiaoyuan at a cash consideration of RMB3,492,940;

(c) an equity transfer agreement dated 25 April 2017 entered into between 程莉紅 (Cheng Lihong) and Agreeable Company Limited, pursuant to which Agreeable Company Limited agreed to acquire 14.143916% equity interests in 深圳市恒昌盛科技有限公司 (Shenzhen Hengchang Sheng Technology Company Limited) from Cheng Lihong at a cash consideration of RMB2,599,483;

(d) a sale and purchase agreement dated 1 June 2017 entered into between 馬富軍 (Ma Fujun) and Total United Holdings Limited, pursuant to which Total United Holdings Limited acquired all the issued shares of Eternity Technology Development Limited from Ma Fujun at a cash consideration of HK$1,800,000;

(e) the Deed of Indemnity; and

(f) the Public Offer Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Patents

As at the Latest Practicable Date, our Group was the registered proprietor of the following patents which, in the opinion of our Directors, are material to our business:

No.	Authorised patent and description	Registration Number	Registered owner	Date of application	Date of authorisation	Patent duration (from the date of application)
1.	PCB electronic pneumatic testing fixture (PCB電子氣動測試治具)	ZL201620365232.1	Shenzhen Hengchang Sheng	27 April 2016	21 September 2016	10 years
2.	Test system for PCBA boards for portable electronic products (一種用於便攜式電子產品PCBA板的測試系統)	ZL201620389391.5	Shenzhen Hengchang Sheng	29 April 2016	12 October 2016	10 years
3.	A sensor testing device (一種傳感器測試裝置)	ZL201620339634.4	Shenzhen Hengchang Sheng	20 April 2016	12 October 2016	10 years
4.	A camera module auto-motion testing device (一種攝像頭模塊自動移動測試裝置)	ZL201620362362.X	Shenzhen Hengchang Sheng	26 April 2016	12 October 2016	10 years
5.	Testing device for the bank card sensor (銀行卡感應器的測試裝置)	ZL201620356096.X	Shenzhen Hengchang Sheng	25 April 2016	12 October 2016	10 years
6.	Printing machine vacuum base (一種印刷機真空底座)	ZL201620362508.0	Shenzhen Hengchang Sheng	26 April 2016	12 October 2016	10 years
7.	A kind of constant temperature and humidity chamber with infrared temperature measurement (一種具有紅外測溫的恒溫恒濕試驗箱)	ZL201620356471.0	Shenzhen Hengchang Sheng	26 April 2016	12 October 2016	10 years
8.	A mobile phone or tablet automated testing device (一種手機或平板自動檢測裝置)	ZL201620396246.X	Shenzhen Hengchang Sheng	3 May 2016	30 November 2016	10 years

No.	Authorised patent and description	Registration Number	Registered owner	Date of application	Date of authorisation	Patent duration (from the date of application)
9.	A new type sweeping machine (一種新型掃地機)	ZL201720044146.5	Shenzhen Hengchang Sheng	13 January 2017	23 January 2018	10 years
10.	Wave soldering fixture (波峰焊夾具)	ZL201720940038.6	Shenzhen Hengchang Sheng	29 July 2017	8 May 2018	10 years
11.	Smartphone charging cabinet (智能手機充電櫃)	ZL201721087173.7	Shenzhen Hengchang Sheng	26 August 2017	22 May 2018	10 years
12.	PCBA double layer test fixture (PCBA雙層板測試治具)	ZL201721126614.X	Shenzhen Hengchang Sheng	1 September 2017	27 April 2018	10 years
13.	PCBA board test device (PCBA板測試裝置)	ZL201721126615.4	Shenzhen Hengchang Sheng	1 September 2017	27 April 2018	10 years
14.	Mobile phone charging cabinet with cooling function (自帶冷卻功能的手機充電櫃)	ZL201721148401.7	Shenzhen Hengchang Sheng	6 September 2017	27 April 2018	10 years
15.	Automatic temperature control charging cabinet (自動控溫的智能充電櫃)	ZL201721156156.4	Shenzhen Hengchang Sheng	6 September 2017	27 April 2018	10 years
16.	Robot with projector function (帶投影功能的機器人)	ZL201721160767.6	Shenzhen Hengchang Sheng	7 September 2017	27 April 2018	10 years
17.	Cup-shaped projector (杯體式投影儀)	ZL201721146170.6	Shenzhen Hengchang Sheng	7 September 2017	5 June 2018	10 years

(b) Copyrights

As at the Latest Practicable Date, our Group was the registered proprietor of the following copyrights which, in the opinion of our Directors, are material to our business:

No.	Authorised Copyright	Registered owner	Registration number	Date of first publication	Expiry date
1.	Hengchang Sheng mobile phone elderly auxiliary function system V1.0 (恒昌盛手機老人輔助功能系統軟件V1.0)	Shenzhen Hengchang Sheng	2015SR155331	26 September 2013	31 December 2063
2.	Hengchang Sheng phone SMS backup a key recovery function system V1.0 (恒昌盛手機短信備份一鍵恢復功能系統軟件V1.0)	Shenzhen Hengchang Sheng	2015SR154964	17 April 2014	31 December 2064

No.	Authorised Copyright	Registered owner	Registration number	Date of first publication	Expiry date
3.	Hengchang Sheng mobile phone test data timely upload data system V1.0 (恒昌盛手機測試數據適時上傳數據系統V1.0)	Shenzhen Hengchang Sheng	2015SR154842	25 February 2015	31 December 2065
4.	Hengchang Sheng Mobile screen saver global time difference clock function automatically setting system V1.0 (恒昌盛手機屏保全球時差時鐘功能自動設置系統軟件V1.0)	Shenzhen Hengchang Sheng	2015SR155086	16 October 2014	31 December 2064
5.	Hengchang Sheng mobile download security early warning system (恒昌盛手機下載安全預警系統V1.0)	Shenzhen Hengchang Sheng	2015SR154969	13 May 2015	31 December 2065
6.	Hengchang Sheng Mobile phone voice dialing function system V1.0 (恒昌盛手機語音撥號功能系統軟件V1.0)	Shenzhen Hengchang Sheng	2015SR155295	21 August 2014	31 December 2064
7.	Hengchang sheng mobile terminal two dimensional code scanning information upload management system V1.0 (恒昌盛移動終端二維碼掃描信息上傳管理系統V1.0)	Shenzhen Hengchang Sheng	2015SR154396	16 April 2015	31 December 2065
8.	Hengchang Sheng mobile phone backup T card function software V1.0 (恒昌盛手機電話本備份T卡功能系統軟件V1.0)	Shenzhen Hengchang Sheng	2015SR155430	18 March 2015	31 December 2065
9.	Hengchang Sheng multifunctional projector machine control system V1.0 (恒昌盛多功能投影儀機器管控系統 V1.0)	Shenzhen Hengchang Sheng	2017SR461586	14 June 2017	31 December 2067
10.	Hengchang Sheng sweeper intelligent control system V1.0 (恒昌盛掃地機智能管控系統V1.0)	Shenzhen Hengchang Sheng	2017SR468542	13 June 2017	31 December 2067

No.	Authorised Copyright	Registered owner	Registration number	Date of first publication	Expiry date
11.	Hengchang Sheng IOT smart home remote management and control system V1.0 (恒昌盛物聯網智能家居遠端管控系統 V1.0)	Shenzhen Hengchang Sheng	2017SR462744	13 June 2017	31 December 2067
12.	Hengchang Sheng inverter power detection system V1.0 (恒昌盛逆變器電源檢測系統 V1.0)	Shenzhen Hengchang Sheng	2017SR460711	24 June 2017	31 December 2067
13.	Hengchang Sheng ATM machine advertising automatic promotion platform V1.0 (恒昌盛ATM機廣告自動推廣平台 V1.0)	Shenzhen Hengchang Sheng	2017SR461565	20 June 2017	31 December 2067
14.	Hengchang Sheng automatic mobile phone intelligent optimization system V1.0 (恒昌盛全自動手機智能優化系統 V1.0)	Shenzhen Hengchang Sheng	2017SR461556	14 June 2017	31 December 2067
15.	Hengchang Sheng POS terminal control system V1.0 (恒昌盛POS機終端操控系統 V1.0)	Shenzhen Hengchang Sheng	2017SR461571	13 June 2017	31 December 2067
16.	Hengchang Sheng wireless router connection configuration management system V1.0 (恒昌盛無綫路由器連接配置管控系統 V1.0)	Shenzhen Hengchang Sheng	2017SR461576	13 June 2017	31 December 2067
17.	Hengchang Sheng event data recorder statistics and data analysis system (恒昌盛行車記錄儀數據統計分析系統)	Shenzhen Hengchang Sheng	2018SR399433	21 March 2018	31 December 2068
18.	Hengchang Sheng POS machine use and setting system V1.0 (恒昌盛POS機使用設置系統V1.0)	Shenzhen Hengchang Sheng	2018SR396627	29 March 2018	31 December 2068
19.	Hengchang Sheng ATM machine advertising quest management system V1.0 (恒昌盛ATM機廣告任務管理系統V1.0)	Shenzhen Hengchang Sheng	2018SR384215	3 April 2018	31 December 2068

No.	Authorised Copyright	Registered owner	Registration number	Date of first publication	Expiry date
20.	Hengchang Sheng Bluetooth watch communication and data management system V1.0 (恒昌盛藍牙手錶通訊數據管控系統V1.0)	Shenzhen Hengchang Sheng	2018SR388701	16 March 2018	31 December 2068
21.	Hengchang Sheng order receipt and information management system V1.0 (恒昌盛收單信息管理系統V1.0)	Shenzhen Hengchang Sheng	2018SR385358	5 April 2018	31 December 2068
22.	Hengchang Sheng POS machine credit card payment system V1.0 (恒昌盛POS機刷卡繳費系統V1.0)	Shenzhen Hengchang Sheng	2018SR384412	20 March 2018	31 December 2068
23.	Hengchang Sheng transaction and order receipt business management system V1.0 (恒昌盛交易收單業務管控系統V1.0)	Shenzhen Hengchang Sheng	2018SR384193	22 March 2018	31 December 2068
24.	Hengchang Sheng mobile phone information receipt and management system V1.0 (恒昌盛手機信息接收管理系統V1.0)	Shenzhen Hengchang Sheng	2018SR384203	27 March 2018	31 December 2068

(c) Domain names

As of the Latest Practicable Date, our Group was the registered proprietor of the following domain names which, in the opinion of our Directors, are material to our business:

Domain name	Registered owner	Registration date	Expiry date
szeternity.com	Shenzhen Hengchang Sheng	12 August 2011	12 August 2020
szeternity.com.cn	Shenzhen Hengchang Sheng	3 June 2006	3 June 2020

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of Interests — interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the interests or short positions of our Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) 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, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to our Company and the Stock Exchange, once the Shares are listed will be as follows:

(i) Interests in our Company

Name of Director	Nature of interest	Number of Shares[(1)]	Percentage of shareholding *(%)*
Mr. Ma	Interest of a controlled corporation[(2)]	191,250,000[(L)]	63.75

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) These Shares are held by Rich Blessing. Rich Blessing is owned as to 62.91% by Mr. Ma Fujun, 20.00% by Ms. Chen Xiaoyuan, 14.89% by Ms. Cheng Lihong and 2.20% by Mr. Cheng Bin. Mr. Ma Fujun, Ms. Chen Xiaoyuan and Mr. Cheng Bin are our executive Directors. Mr. Ma is also the sole director of Rich Blessing. Therefore, Mr. Ma is deemed or taken to be interested in the Shares held by Rich Blessing under the SFO.

(ii) Interests in the ordinary shares of associated corporation

Name of Director	**Name of associated corporation**	**Nature of interest**	**Number of shares[(1)]**	**Percentage of shareholding** *(%)*
Mr. Ma[(2)]	Rich Blessing	Beneficial owner; interest of spouse	7,780[(L)]	77.80
Ms. Chen	Rich Blessing	Beneficial owner	2,000[(L)]	20.00
Mr. Cheng	Rich Blessing	Beneficial owner	220[(L)]	2.20

Notes:

(1) The letter "L" denotes the person's long position in the shares of the relevant associated corporation.

(2) Ms. Cheng Lihong is the spouse of Mr. Ma. Therefore, Mr. Ma is deemed or taken to be interested in the shares in Rich Blessing held by Ms. Cheng Lihong under the SFO.

(b) Particulars of service contracts and letters of appointment

Each of our executive Directors has entered into a service contract with our Company for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other. The annual remuneration payable to each of our executive Directors (excluding any discretionary bonus) under their respective service contracts is HK$120,000 per annum, subject to any increment as recommended by the remuneration committee. In addition, each of the executive Directors is also entitled to a discretionary bonus subject to approval of the Board and the remuneration committee of our Company having regard to the operating results of our Group and the performance of the executive Director.

Each of the independent non-executive Directors has entered into a letter of appointment with our Company. Each of them are appointed with an initial term of three years commencing from the Listing Date, which may be terminated by not less than one month's notice in writing served by either party on the other. Each of the independent non-executive Directors is entitled to a director's fee of HK$120,000 per annum, subject to any increment as recommended by the remuneration committee. Save for Directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as independent non-executive Director.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) Directors' remuneration

(i) Each of our executive Directors is entitled to a director's fee and shall be paid a remuneration on the basis of a twelve-month year. For the years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018, the aggregate amount of remuneration including salaries, discretionary bonus, allowances and benefits in kind and contributions to pension scheme granted by us to our Directors were approximately RMB0.6 million, RMB1.8 million, RMB2.2 million and RMB0.7 million, respectively. For details, please refer to note 30 of the Accountant's Report set out in Appendix I to this prospectus.

(ii) Under the arrangement currently in force, the aggregate remuneration (including fees, wages and salaries, contributions to pension scheme, housing allowances and other allowances and benefit in kind but excluding discretionary bonus) of our Directors for the year ending 31 December 2018 is estimated to approximately RMB1.2 million.

(iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for the three years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018 (i) as inducement to join or upon joining our Group or (ii) for loss of office as a director of any member of our Group or of any office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2017 and the four months ended 30 April 2018.

2. Substantial Shareholders

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account of any Shares that may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme), the following persons (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

		Immediately following the completion of the Share Offer and the Capitalisation Issue	
Name of Shareholder	**Nature of interest**	**Number of Shares held/ interested(1)**	**Percentage (%)**
Rich Blessing	Beneficial owner	191,250,000(L)	63.75
Ms. Cheng Lihong	Interest of spouse(2)	191,250,000(L)	63.75
Elite Foster	Beneficial owner(3)	33,750,000(L)	11.25
Mr. Lu Wan Ching	Interest of a controlled corporation(3)	33,750,000(L)	11.25
Ms. Wong Yuk Ting	Interest of spouse(4)	33,750,000(L)	11.25

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Ms. Cheng Lihong is the spouse of Mr. Ma. Therefore, Ms. Cheng Lihong is deemed or taken to be interested in the Shares held by Mr. Ma under the SFO.

(3) The Shares are held by Elite Foster International Investment Limited. Elite Foster is wholly owned by Mr. Lu Wan Ching. Therefore, Mr. Lu Wan Ching is deemed or taken to be interested in the Shares held by Elite Foster under the SFO.

(4) Ms. Wong Yuk Ting is the spouse of Mr. Lu Wan Ching. Therefore, Ms. Wong Yuk Ting is deemed or taken to be interested in the Shares in which Mr. Lu Wan Ching is interested under the SFO.

3. Disclaimers

Save as disclosed herein:

(a) none of our Directors or chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO 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 our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers;

(b) none of our Directors or experts referred to under the paragraph headed "D. Other information — 8. Qualification of experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been 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;

(c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(d) taking no account of Shares which may be taken up under the Share Offer, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the voting shares of any member of our Group;

(e) none of the experts referred to under the paragraph headed "D. Other information — 8. Qualification of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 25 July 2018.

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and

(ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "**Eligible Participants**") to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries; and

(iii) any advisers, consultants, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK$1.00 to our Company by way of consideration for the grant.

(c) Acceptance of an offer of Options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. 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 is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting 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.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for the Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial advisor as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

The exercise of any Option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorized share capital of our Company.

(d) 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 our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue, being 30,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our 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 our 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 our Company to our Shareholders shall contain a generic description of the 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 the 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 and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our 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 our 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 our Company or an approved independent financial advisor shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) 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 our 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 our Company 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 as 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 our shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the Listing Rules) (or his associates if the Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our 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 (or, alternatively, documents accompanying the offer document which state), among others:

(aa) the Eligible Participant's name, address and occupation;

(bb) the date on which an Option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;

(cc) the date upon which an offer for an Option must be accepted;

(dd) the date upon which an Option is deemed to be granted and accepted in accordance with paragraph (c);

(ee) the number of Shares in respect of which the Option is offered;

(ff) the subscription price and the manner of payment of such price for the Shares on and in consequence of the exercise of the Option;

(gg) the date of the notice given by the grantee in respect of the exercise of the Option; and

(hh) the method of acceptance of the Option which shall, unless the Board otherwise determines, be as set out in paragraph (c).

(f) Price of Shares

Subject to any adjustments made as described in paragraph (r) below, 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 must be at least the higher of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the 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 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.

(g) Granting options to connected persons

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial Shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, canceled 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 at the date of each grant, such further grant of options will be subject to the issue of a circular by our 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 our Company shall abstain from voting in favor, 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 our Company to our 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 independent non-executive Directors (excluding any independent non-executive Director 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.

(h) Restrictions on the times of grant of Options

A grant of options may not be made after a price sensitive event has occurred or after inside information has come to the knowledge of our Company until it has been published pursuant to the requirement of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. 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 Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the Listing Rules)

and ending on the date of actual publication of the results announcement, and where an option is granted to a Director:

(iii) 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

(iv) 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.

(i) 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 may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) 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 our 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.

(k) 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.

(l) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries

(i) by any reason other than death or termination of his employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as at the date of cessation (to the extent not already exercised) within a period of one month from such 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 our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(m) Rights on dismissal

If the grantee of an option ceases to be an employee of our 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 our Group, or has been convicted of any criminal offense involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(n) Rights on takeover

If a general offer 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 the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event a notice is given by our 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 our Company, our 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 our Company referred to above by giving notice in writing to our 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 our 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 and register the grantee as holder thereof.

(p) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our 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 may by notice in writing to our 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 (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

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.

(q) 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.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, 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 our Company or an independent financial advisor 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 Stock Exchange and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approval independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on the Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an Option is entitled to subscribe pursuant to the 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.

(s) 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 (l), (m), (n), (o) or (p);

(iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;

(iv) subject to paragraph (o), the date of commencement of the winding-up of our 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 our 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 offense involving his or her integrity or honesty, or in relation to an employee of the Group (if so determined by the Board), or has been insolvent, bankrupt or has made compositions with his/her creditors generally 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 our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are canceled in accordance with paragraph (u) below.

(t) 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 the Eligible Participants (as the case may be) in respect of the 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 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. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) Cancellation of Options

Subject to paragraph (i) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph (m).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Condition of the Share Option Scheme

The Share Option Scheme is conditional on:

(i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

(ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise;

(iii) the commencement of dealings in the Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within six calendar months from the Adoption Date:

(i) the Share Option Scheme shall forthwith determine;

(ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) 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 Stock Exchange for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 30,000,000 Shares in total.

2. Tax and other indemnities

Our Controlling Shareholders entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, (i) taxation resulting from income, profits or gains earned, accrued or received; (ii) any fines, penalties, losses, damages, liabilities, fees, costs, charges, expenses, demands, claims, proceedings and actions (including without limitation any legal costs) which any members of our Group may suffer, sustain or incur or which may be commenced, brought or instituted against any members of our Group and become payable arising in connection with any non-compliance (if any) of any legal and/or regulatory requirements of any jurisdiction; as well as (iii) any claim to which any member of our Group may be subject and payable in respect of any disputes, arbitrations or legal proceedings occurring on or before the Listing Date.

3. Litigation

As at the Latest Practicable Date, save as disclosed in this prospectus, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

4. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Stock Exchange for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fees are HK$5 million and are payable by our Company (excluding any disbursement).

5. Preliminary expenses

The preliminary expenses incurred and paid by our Company were approximately US$12,334.

6. Promoter

Our Company has no promoter for the purposes of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this prospectus.

7. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares except where our Company holds interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualification of experts

The following are the qualifications of the experts who have given their opinion or advice which are contained in, or referred to in this prospectus:

Name	Qualifications
Dakin Capital Limited	A licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity (as defined under the SFO)
PricewaterhouseCoopers	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Tian Yuan Law Firm	Legal advisers to the Company as to PRC law
CKR Law LLP	Legal advisers to the Company as to U.S. law

9. Consents of experts

Each of the experts named in paragraph 8 above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

10. Interests of experts in our Company

None of the persons named in paragraph 8 above is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;

(b) save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 April 2018 (being the date to which the latest audited consolidated financial statements of our Group were made up);

(d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(e) the principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by our Hong Kong Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;

(f) there is no arrangement under which future dividends are waived or agreed to be waived;

(g) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(h) our Directors have been advised that under the Companies Law the use of a Chinese name by our Company in conjunction with its English name does not contravene the Companies Law; and

(i) save as disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures.

13. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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 the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in the paragraph headed "D. Other information — 9. Consents of experts" in Appendix IV to this prospectus; and

(c) a copy of each of the material contracts referred to in the paragraph headed "B. Information about the business — 1. Summary of material contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Sidley Austin, at 39/F, Two Int'l Finance Centre, 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 Articles of Association of our Company;

(b) the Accountant's Report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;

(c) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements of our Group for each of the three years ended 31 December 2015, 2016 and 2017 and the four months ended 30 April 2018;

(e) the letter of advice from Conyers Dill & Pearman, summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;

(f) the Companies Law;

(g) the material contracts referred to in the paragraph headed "B. Information about the business — 1. Summary of material contracts" in Appendix IV to this prospectus;

(h) the written consents referred to in the paragraph headed "D. Other information — 9. Consents of experts" in Appendix IV to this prospectus;

(i) the service contracts and the letters of appointment referred to in the paragraph headed "C. Further information about Directors and substantial shareholders — 1. Directors — (b) Particulars of service contracts and letters of appointment" in Appendix IV to this prospectus;

(j) the rules of the Share Option Scheme;

(k) the Frost & Sullivan Report;

(l) the legal opinion issued by Tian Yuan Law Firm, our PRC legal advisers in respect of certain aspects of our Group and our property interests in the PRC; and

(m) the legal opinion issued by CKR Law LLP, our U.S. legal advisers in respect of the U.S. law.

ETERNITY TECHNOLOGY HOLDINGS LIMITED
恒達科技控股有限公司