



**PANTRONICS HOLDINGS LIMITED**  
**桐成控股有限公司**

*(Incorporated in the British Virgin Islands with limited liability)*

**Stock Code: 1611**

**SHARE  
OFFER**

Sole Sponsor



Sole Global Coordinator



Joint Bookrunners



# IMPORTANT

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



## PANTRONICS HOLDINGS LIMITED 桐成控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

### SHARE OFFER

**Number of Offer Shares :** 90,000,000 Shares (comprising 63,000,000 New Shares and 27,000,000 Sale Shares)  
**Number of Public Offer Shares :** 9,000,000 Shares (including 900,000 Employee Reserved Shares) (subject to adjustment)  
**Number of Placing Shares :** 81,000,000 Shares (comprising 54,000,000 New Shares and 27,000,000 Sale Shares) (subject to adjustment)  
**Offer Price :** Not more than HK\$1.80 per Offer Share and expected to be not less than HK\$1.44 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)  
**Nominal Value :** HK\$0.001 per Share  
**Stock Code :** 1611

### Sole Sponsor



### Sole Global Coordinator



### Joint Bookrunners



### Joint Lead Managers



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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix VII 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 for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by an agreement between our Company (for itself and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about Tuesday, 15 November 2016, but in any event, not later than Wednesday, 16 November 2016. The Offer Price will be not more than HK\$1.80 per Offer Share and is expected to be not less than HK\$1.44 per Offer Share, unless otherwise announced. Investors applying for the Public Offer Shares must pay, on application, the maximum Offer Price of HK\$1.80 per Offer Share, unless otherwise announced, together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK\$1.80 (the maximum Offer Price). The Sole Global Coordinator (for itself and on behalf of the Underwriters), with the consent of our Company (for itself and on behalf of the Selling Shareholder), may extend or reduce the indicative Offer Price range stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, a notice of the extension or reduction in the indicative Offer Price range will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure of the Share Offer" and "How to apply for public offer shares and employee reserved shares" of this prospectus. If, for any reason, the Offer Price is not agreed between our Company (for itself and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Share Offer will not proceed and will lapse.

**Prior to making an investment decision, prospective investors should consider carefully all of the information set forth in this prospectus and the related Application Forms, including the risk factors set forth in the section headed "Risk factors" in this prospectus.**

Pursuant to the termination provisions contained in the Underwriting Agreement in respect of the Offer Shares, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Underwriters), have the right in certain circumstances, in their discretion, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be Monday, 21 November 2016). Further details of the terms of the termination provisions are set forth in the section headed "Underwriting — Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

9 November 2016

---

## EXPECTED TIMETABLE

---

Latest time for lodging **PINK** Application Forms  
at Flat/RM 1603A, 16/F, Tower 2, Nina Tower,  
8 Yeung Uk Road, Tsuen Wan, Hong Kong . . . . . 12:00 noon on Friday, 11 November 2016

Latest time to complete electronic applications  
under the **HK eIPO White Form** service  
through the designated website  
at ([www.hkeipo.hk](http://www.hkeipo.hk)) <sup>(2)</sup> . . . . . 11:30 am on Monday, 14 November 2016

Application lists open <sup>(3)</sup> . . . . . 11:45 am on Monday, 14 November 2016

Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . . 12:00 noon on Monday, 14 November 2016

Latest time to lodge **WHITE** and **YELLOW** Application Forms and to give **electronic application instructions** to HKSCC <sup>(4)</sup> . . . . . 12:00 noon on Monday, 14 November 2016

Application lists close <sup>(3)</sup> . . . . . 12:00 noon on Monday, 14 November 2016

Expected Price Determination Date <sup>(5)</sup> . . . . . Tuesday, 15 November 2016

Announcement of the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the Employee Preferential Offering, and the basis of allocations of the Public Offer Shares and the Employee Preferential Offering, to be posted on our website at [www.pantronics.hk](http://www.pantronics.hk) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) on or before . . . . . Friday, 18 November 2016

Announcement of results of allocations under the Public Offer the Employee Preferential Offering (with successful applicants' identification document numbers, where appropriate) to be available on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) (for further details, please refer to the section headed "How to apply for public offer shares and employee reserved shares — Publication of results" in this prospectus) from . . . . . Friday, 18 November 2016

Results of allocations in the Public Offer will be available at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a "search by ID" function from . . . . . Friday, 18 November 2016

---

## EXPECTED TIMETABLE

---

Despatch/Collection of refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Public Offer the Employee Preferential Offering on or before <sup>(6 and 7)</sup> . . . . . Friday, 18 November 2016

Despatch/Collection of Share certificates on or before . . . . . Friday, 18 November 2016

Despatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful (if applicable) and wholly or partially unsuccessful applications under the Public Offer on or before <sup>(7)</sup> . . . . . Friday, 18 November 2016

Dealings in the Shares on the Stock Exchange expected to commence at. . . . . 9:00 a.m. on Monday, 21 November 2016

*Notes:*

1. All times and dates refer to Hong Kong local time.
2. You will not be permitted to submit your application to the **HK eIPO White Form** Service Provider through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “**black**” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 14 November 2016, the application lists will not open on that day. For further details, please refer to the section headed “How to apply for public offer shares and employee reserved shares — Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
4. Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for public offer shares and employee reserved shares — Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is expected to be on or around Tuesday, 15 November 2016. If, for any reason, the Offer Price is not agreed by Wednesday, 16 November 2016 between our Company (for itself and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Share Offer (including the Public Offer) will not proceed and will lapse.
6. Share certificates for the Offer Shares are expected to be issued on or before Friday, 18 November 2016 but will only become valid certificates of title at 8:00 a.m. on Monday, 21 November 2016 provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.

---

## EXPECTED TIMETABLE

---

7. Refund cheques or e-Auto Refund payment instructions will be issued in respect of all applications, if the conditions of the Share Offer are not fulfilled in accordance with the paragraphs headed “Conditions of the share offer” in the section headed “Structure of the share offer” in this prospectus, or if all such conditions of the Share Offer are fulfilled, in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications if the Offer Price as finally determined is less than the price per Offer Share payable on application. If you apply through the **HK eIPO White Form** services by paying the application monies through a single bank account, you may have e-Auto Refund payment instructions (if any) despatched to your application payment bank account. If you apply through the **HK eIPO White Form** services by paying the application monies through multiple bank accounts, refund monies in the form of refund cheque(s) will be sent to the address specified in your application instructions to the designated website ([www.hkeipo.hk](http://www.hkeipo.hk)) by ordinary post and at your own risk. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate your refund cheque.

For details of the structure of the Share Offer, including conditions of the Share Offer, applicants should refer to the section headed “Structure of the share offer” in this prospectus.

---

## CONTENTS

---

### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by Pantronics Holdings Limited solely in connection with the Public Offer and does not constitute an offer to sell or a solicitation to buy any security other than the Public Offer Shares offered by this prospectus pursuant to the Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Public Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms. Any information or representation not contained nor made in this prospectus or the Application Forms must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective directors, officers, employees, agents or representatives or any other person or party involved in the Share Offer.*

	<i>Page</i>
<b>EXPECTED TIMETABLE</b> .....	i
<b>CONTENTS</b> .....	iv
<b>SUMMARY</b> .....	1
<b>DEFINITIONS</b> .....	24
<b>GLOSSARY OF TECHNICAL TERMS</b> .....	35
<b>FORWARD-LOOKING STATEMENTS</b> .....	38
<b>RISK FACTORS</b> .....	40
<b>WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE</b> .....	58
<b>INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER</b> .....	60
<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b> .....	64
<b>CORPORATE INFORMATION</b> .....	70
<b>INDUSTRY OVERVIEW</b> .....	72
<b>REGULATORY OVERVIEW</b> .....	85
<b>HISTORY, REORGANISATION AND GROUP STRUCTURE</b> .....	102
<b>BUSINESS</b> .....	116

---

## CONTENTS

---

	<i>Page</i>
<b>RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS</b> .....	172
<b>SUBSTANTIAL SHAREHOLDERS</b> .....	176
<b>SHARE CAPITAL</b> .....	177
<b>FINANCIAL INFORMATION</b> .....	180
<b>FUTURE PLANS AND USE OF PROCEEDS</b> .....	231
<b>DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</b> .....	233
<b>UNDERWRITING</b> .....	244
<b>STRUCTURE OF THE SHARE OFFER</b> .....	256
<b>HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES</b> .....	266
<b>APPENDIX I — ACCOUNTANT’S REPORT</b> .....	I-1
<b>APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION</b> .....	II-1
<b>APPENDIX III — PROFIT ESTIMATE</b> .....	III-1
<b>APPENDIX IV — VALUATION REPORT</b> .....	IV-1
<b>APPENDIX V — SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE BRITISH VIRGIN ISLANDS COMPANY LAW</b> .....	V-1
<b>APPENDIX VI — STATUTORY AND GENERAL INFORMATION</b> .....	VI-1
<b>APPENDIX VII — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION</b> .....	VII-1

---

## SUMMARY

---

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

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before making any decision to invest in the Offer Shares.*

*Various expressions used in this summary are defined in the section headed “Definitions” in this prospectus.*

### OVERVIEW

Headquartered in Hong Kong, we began our business as an OEM manufacturer over 30 years ago and, between the years 2001 and 2004, we have evolved to become a manufacturer in the EMS industry. Our products can be broadly categorised into four product groups, namely (i) solenoid coils; (ii) battery charger solution and power supply, (iii) LED lighting; and (iv) others, such as PCBA and parts assembly. Our solenoid coils are components in hydraulic valves and can be applied to a variety of industrial products. Our battery charger solution and power supply are mainly for our customers' power tools. Among our products, the sales of solenoid coils was our largest source of income which accounted for approximately 32.9%, 40.7%, 41.3%, and 34.1% of our revenue for each of the three years ended 30 September 2015 and the eight months ended 31 May 2016 respectively. The revenue from solenoid coils amounted to approximately HK\$106.9 million, HK\$136.2 million, HK\$135.2 million and HK\$61.0 million for the years ended 30 September 2013, 2014, 2015 and the eight months ended 31 May 2016, respectively, such decrease during the eight months ended 31 May 2016 was due to the reduced demand from Customer A (which is one of our five largest customers during the Track Record Period) driven by the unfavorable economic environment in the markets of its end customers.

Our total revenue amounted to approximately HK\$325.2 million, HK\$334.5 million, HK\$327.6 million and HK\$179.3 million for the years ended 30 September 2013, 2014, 2015 and the eight months ended 31 May 2016, respectively. Our revenue generated from the sale of solenoid coils was our largest source of income which amounted to approximately HK\$106.9 million, HK\$136.2 million, HK\$135.2 million and HK\$61.0 million for the years ended 30 September 2013, 2014, 2015 and the eight months ended 31 May 2016, respectively. The revenue generated from the sale of battery charger solution and power supply accounted for approximately HK\$77.7 million, HK\$71.9 million, HK\$64.3 million and HK\$39.3 million for the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, respectively. The revenue generated from the sale of LED lighting accounted for approximately HK\$35.6 million, HK\$32.5 million, HK\$24.5 million and HK\$17.4 million for the years ended 30 September 2013, 2014, 2015 and the eight months ended 31 May 2016, respectively.

---

## SUMMARY

---

### **Solenoid coils**

During the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, we sold approximately 4.0 million pieces, 6.3 million pieces, 5.3 million pieces and 2.1 million pieces of solenoid coils, respectively, with a selling price per piece ranging from approximately HK\$4.1 to HK\$89.6 during the eight months ended 31 May 2016.

The sales volume increased from approximately 4.0 million pieces in the year ended 30 September 2013 to approximately 6.3 million pieces in the year ended 30 September 2014, due to higher volume of orders placed by Customer A. The sales volume decreased from 6.3 million pieces in the year ended 30 September 2014 to 5.3 million pieces in the year ended 30 September 2015 due to the lower volume of orders placed by Customer A.

The average selling price per piece decreased from approximately HK\$26.5 for the year ended 30 September 2013 to approximately HK\$21.6 for the year ended 30 September 2014. Such decrease was due to a reduction in copper price and the shift of product mix to products with lower selling prices. According to the Euromonitor Report, the average copper price during the aforesaid period decreased by 6.3% from USD7,322.1 per ton in 2013 to USD6,862.0 per ton in 2014. Based on its cost-plus pricing strategies, the Group reduced the selling price to reflect the lower copper price. The average selling price per piece increased from approximately HK\$21.6 for the year ended 30 September 2014 to approximately HK\$25.4 for the year ended 30 September 2015 because of the shift of product mix to products with higher selling prices.

The average selling price per piece was approximately HK\$26.6 for the eight months ended 31 May 2015 and approximately HK\$29.7 for the eight months ended 31 May 2016, due to the different mix of products sold during these two periods.

### **Battery charger solution and power supply**

During the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, we sold approximately 1.9 million pieces, 1.9 million pieces, 1.4 million pieces and 0.8 million pieces of battery charger solution and power supply, respectively, with a selling price ranging from approximately HK\$4.6 per piece to HK\$173.1 per piece and an average selling price of approximately HK\$49.5 per piece during the eight months ended 31 May 2016.

The sales volume was maintained at a stable level at approximately 1.9 million pieces during the years ended 30 September 2013 and 2014, and then decreased to approximately 1.4 million pieces during the year ended 30 September 2015. The sales volume further decreased to approximately 0.8 million pieces during the eight months ended 31 May 2016. The decrease in sales volume was due to the decrease in demand from two major customers, Customer B and Customer E, driven by unfavourable economic environments in the markets of their end customers.

## SUMMARY

The average selling price per piece decreased from approximately HK\$40.1 for the year ended 30 September 2013 to approximately HK\$37.1 for the year ended 30 September 2014 because of the shift of product mix to products with lower selling prices. The average selling price per piece increased from approximately HK\$37.1 for the year ended 30 September 2014 to approximately HK\$46.0 for the year ended 30 September 2015 because of the shift of product mix to products with higher selling prices. Due to the same reason, the average selling price per piece also increased from approximately HK\$45.8 for the eight months ended 31 May 2015 to approximately HK\$49.5 for the eight months ended 31 May 2016.

### LED lighting

During the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, we sold approximately 0.4 million pieces, 0.3 million pieces, 0.2 million pieces and 0.1 million pieces of LED lighting respectively. The average selling price per piece was approximately HK\$89.4, HK\$124.4, HK\$137.3 and HK\$163.7 for the corresponding periods, respectively. The decrease in sales volume was due to the loss of one of our major customers in 2014, which requested a significant price reduction, and also the decrease in demand from Customer D driven by the unfavorable economic environment in the markets of its end customers.

On the other hand, the increasing trend of average selling price per piece was due to shift of product mix to the commercially-used LED lighting products which have higher selling price per piece.

The following tables set out the revenue, sales volume and selling price range of our major product types during the Track Record Period:

	Year ended 30 September						Eight months ended 31 May			
	2013		2014		2015		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Solenoid coils	106,872	32.9	136,226	40.7	135,207	41.3	90,681	41.9	60,976	34.1
Battery charger solution and power supply	77,732	23.8	71,870	21.5	64,311	19.6	44,073	20.3	39,343	22.0
LED lighting	35,617	11.0	32,502	9.7	24,520	7.4	16,222	7.5	17,351	9.7
Others										
- PCBA	27,446	8.4	27,366	8.2	32,151	9.8	20,736	9.6	21,487	12.0
- Parts assembly	41,989	12.9	41,630	12.4	42,697	13.0	23,394	10.8	22,213	12.4
- Miscellaneous ( <i>Note</i> )	35,588	11.0	24,902	7.5	28,748	8.9	21,630	9.9	17,949	9.8
	<u>325,244</u>	<u>100.0</u>	<u>334,496</u>	<u>100.0</u>	<u>327,634</u>	<u>100.0</u>	<u>216,736</u>	<u>100.0</u>	<u>179,319</u>	<u>100.0</u>

# SUMMARY

	Year ended 30 September 2013			Year ended 30 September 2014			Year ended 30 September 2015			Eight months ended 31 May 2015			Eight months ended 31 May 2016							
	Sales Volume	Selling price range (HK\$)		Sales Volume	Selling price range (HK\$)		Sales Volume	Selling price range (HK\$)		Sales Volume	Selling price range (HK\$)		Sales Volume	Selling price range (HK\$)						
		Thousands units	Minimum		Average	Maximum		Thousands units	Minimum		Average	Maximum		Thousands units	Minimum	Average	Maximum	Thousands units	Minimum	Average
Solenoid coils																				
- Outer diameter below 40 mm	2,974	11.55	20.44	54.14	4,653	10.70	16.63	88.54	3,865	11.55	19.36	53.89	2,480	11.55	19.99	53.89	1,497	4.11	22.86	89.58
- Outer diameter above 40 mm	1,054	17.29	42.20	124.94	1,645	17.28	34.90	134.49	1,416	17.28	41.60	83.95	926	17.28	43.21	83.95	550	17.38	47.14	70.75
- Coil bundles	8	147.85	195.36	286.83	7	156.21	205.48	222.59	7	157.75	202.97	220.20	6	157.75	198.85	220.20	4	155.54	215.90	296.12
Subtotal	4,036		26.48		6,305		21.6		5,288		25.37		3,412		26.58		2,051		29.73	
Battery charger solution and power supply																				
- Power supply	1,018	13.65	24.62	93.32	1,110	14.08	22.36	74.98	634	15.35	25.76	84.52	420	15.35	24.97	84.52	294	16.29	28.57	84.70
- Chargers with voltage less than 60 watt	742	4.66	43.59	156.97	630	4.66	49.46	120.26	557	4.66	48.92	139.91	398	4.66	48.66	128.26	345	4.60	52.31	139.88
- Chargers with voltage equal or higher than 60 watt	179	62.24	113.41	229.26	197	62.22	80.64	197.66	206	62.04	100.50	189.99	144	62.05	98.96	189.99	156	62.04	82.39	173.05
Subtotal	1,939		40.08		1,937		37.11		1,397		46.03		962		45.81		795		49.49	
LED lighting																				
- Work lights	374	44.59	75.30	161.10	144	11.86	61.29	139.77	99	44.57	70.87	140.00	81	44.57	72.11	139.81	29	44.56	62.10	139.73
- Commercial LED lighting	24	82.57	310.57	921.95	117	100.60	202.03	917.47	80	82.01	220.10	319.67	46	92.22	227.35	319.67	77	30.92	203.02	923.17
Subtotal	398		89.38		261		124.35		179		137.34		127		127.73		106		163.69	
Others																				
- PCBA	475	4.11	57.83	260.17	514	2.79	53.20	192.19	645	1.09	49.87	314.89	400	1.09	51.80	314.89	440	1.08	48.88	307.80
- Parts assembly	6,580	0.08	6.38	69.15	6,382	0.05	6.52	68.71	7,440	0.05	5.74	66.56	3,982	1.86	5.88	70.80	3,701	1.86	6.00	69.01
- Miscellaneous (Note)	18,488	0.08	1.92	320.53	10,694	0.05	2.33	282.66	12,062	0.01	2.38	315.88	9,350	0.01	2.31	315.88	5,918	0.18	3.03	424.18
Subtotal	25,543		4.11		17,590		5.34		20,147		5.14		13,732		4.79		10,059		6.13	
	31,916				26,093				27,011				18,233				13,011			

Note: Miscellaneous includes plastic parts and metal parts.

## SUMMARY

### *By geographical location*

The table below sets out our revenue by delivering destination of our products for the years/periods indicated:

	Year ended 30 September						Eight months ended 31 May			
	2013		2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
The U.S.	149,997	46.1	181,402	54.2	185,719	56.7	117,084	54.0	95,153	53.1
UK	27,529	8.5	29,811	8.9	29,736	9.1	21,829	10.1	19,784	11.0
Rest of Europe	47,714	14.7	37,055	11.1	33,987	10.4	24,389	11.3	18,613	10.4
Japan	30,948	9.5	26,270	7.8	26,185	8.0	17,750	8.2	18,068	10.1
The PRC	30,594	9.4	33,453	10.0	31,384	9.6	16,554	7.6	11,168	6.2
Hong Kong	7,219	2.2	9,267	2.8	4,514	1.4	2,384	1.1	1,698	0.9
Others	31,243	9.6	17,238	5.2	16,109	4.8	16,746	7.7	14,835	8.3
	<u>325,244</u>	<u>100.0</u>	<u>334,496</u>	<u>100.0</u>	<u>327,634</u>	<u>100.0</u>	<u>216,736</u>	<u>100.0</u>	<u>179,319</u>	<u>100.0</u>

During the years ended 30 September 2013, 2014 and 2015, the revenue generated from the U.S. accounted for approximately HK\$150.0 million, HK\$181.4 million and HK\$185.7 million respectively, which accounted for approximately 46.1%, 54.2% and 56.7% of our total revenue for the corresponding periods, respectively. During the eight months ended 31 May 2015 and 2016, the revenue generated from the U.S. were approximately HK\$117.1 million and HK\$95.2 million, respectively which accounted for approximately 54.0% and 53.1% of our total revenue for the corresponding periods, respectively.

The following table sets out the gross profit and gross profit margin by product type:

	Year ended 30 September						Eight months ended 31 May			
	2013		2014		2015		2015		2016	
	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
	HK'000	%	HK'000	%	HK'000	%	HK'000	%	HK'000	%
Solenoid coils	18,050	16.9	25,713	18.9	26,580	19.7	16,817	18.5	13,233	21.7
Battery charger solution and power supply	8,924	11.5	10,214	14.2	10,738	16.7	6,283	14.3	7,992	20.3
LED lighting	10,115	28.4	9,269	28.5	7,543	30.8	4,813	29.7	5,656	32.6
Others	19,495	18.6	16,494	17.6	23,207	22.4	11,762	17.9	13,679	22.2
	<u>56,584</u>	<u>17.4</u>	<u>61,690</u>	<u>18.4</u>	<u>68,068</u>	<u>20.8</u>	<u>39,675</u>	<u>18.3</u>	<u>40,560</u>	<u>22.6</u>

---

## SUMMARY

---

For the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, our gross profit amounted to approximately HK\$56.6 million, HK\$61.7 million, HK\$68.1 million and HK\$40.6 million, respectively, and our gross profit margin was approximately 17.4%, 18.4%, 20.8% and 22.6%, respectively. The increase in the gross profit margin was mainly attributable to: (i) the shift of our product mix towards higher priced products that mainly included commercial LED lighting and PCBA; (ii) the decrease in raw material prices; and (iii) the decrease in manufacturing overheads, such as repair and maintenance.

### **Our customers**

During the Track Record Period, we had a customer base comprising more than 30 customers with headquarters located worldwide, including the U.S., Germany and Japan. We mainly export our products to the U.S. and Europe. The U.S. is the principal market for our products and accounted for approximately 46.1%, 54.2%, 56.7% and 53.1% of our revenue for each of the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, respectively.

We have had approximately five years to 14 years of business relationships with our five largest customers as at the Latest Practicable Date. During the Track Record Period, our Group's five largest customers in aggregate accounted for approximately 69.7%, 77.2%, 76.8% and 78.4%, respectively, of our Group's revenue. Our largest customer is Customer A, which is a U.S. company specialising in the manufacture of hydraulic cartridges and manifolds. It has several manufacturing premises in North America, Europe and Asia. We began our business relationship with Customer A in 2001. We manufactured solenoid coils for Customer A which accounted for approximately 29.9%, 36.6%, 37.8% and 31.1% respectively of our Group's revenue during the Track Record Period. In order to facilitate the delivery of goods to Customer A, our Group has utilised a warehouse in Chicago in the U.S. for handling of goods from the Songgang Factory to the Chicago Warehouse and ultimately to Customer A's dock.

In order to secure increased orders for solenoid coils and further strengthen our relationship with Customer A, we intend to establish a joint venture company with Customer A in the PRC which will be principally engaged in the production of solenoid coils. For further details, please refer to the section headed "Business — Business strategies" of this prospectus.

During the Track Record Period, sales to four customers, including sales of certain specifications of goods to Customer B and Customer E, were made on a consignment basis. For the three years ended 30 September 2015 and the eight months ended 31 May 2016, consignment sales amounted to approximately HK\$45.8 million, HK\$50.3 million, HK\$44.9 million and HK\$28.1 million, respectively, representing approximately 14.1%, 15.0%, 13.7% and 15.7% of the total revenue, respectively.

---

## SUMMARY

---

### **Pricing policy**

Our pricing strategy is based on a cost-plus pricing model, which principally takes into account material costs, labour cost, manufacturing overheads and a markup in order to achieve the gross profit margin which the Group desires to attain.

Once we agree the selling prices with our customers, such prices will be fixed for approximately between three months and twelve months. We regularly monitor and review the prices of our major raw materials throughout the year and thereafter review and negotiate for adjustments of the selling prices with our customers, if necessary. During the Track Record Period, the percentage decrease in price of our major raw materials has exceeded that of our major products. Therefore, the fixed price arrangement allows us to lock in a gross profit margin ranging between 17.4% and 22.6% during the Track Record Period and we did not incur any loss in the fixed price sales arrangement with our customers.

During the Track Record Period, the duration of the fixed price period in respect of the fixed price sales arrangement with our largest five customers, Customers A, B, C, D and E, are approximately three to twelve months, whilst that of our remaining customers are approximately four to twelve months.

### **Our suppliers**

Our five largest suppliers, being Independent Third Parties, mainly include suppliers of raw materials, in particular, copper wire, plastic resin, metal parts and electronic components. Our five largest suppliers have close business relationships with us ranging from six to nine years as at the Latest Practicable Date. For the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, purchases from our five largest suppliers, accounted for approximately 28.3%, 32.1%, 28.6% and 24.2%, respectively, of our total cost of sales and purchases from our largest supplier accounted for approximately 15.1%, 17.1%, 15.3% and 11.7%, respectively, of our total cost of sales during the same period.

---

## SUMMARY

---

The following table sets out the amount of each type of raw materials and their approximate percentage during the Track Record Period:

	Year ended 30 September						Eight months ended 31 May			
	2013		2014		2015		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Copper wire	41,417	21.6	46,430	23.8	41,417	21.8	28,819	22.5	17,367	18.5
Plastic resin	33,053	17.2	31,247	16.0	27,824	14.7	19,617	15.3	14,978	16.0
Metal parts	20,833	10.9	22,702	11.6	20,243	10.7	14,067	11.0	10,381	11.1
Electronic components	33,514	17.5	36,207	18.5	30,963	16.3	21,772	17.0	23,242	24.8
Copper roll/sheet	9,154	4.8	9,271	4.8	8,938	4.7	6,394	5.0	4,463	4.7
Metal raw materials	8,464	4.4	8,054	4.1	6,876	3.6	4,767	3.7	2,880	3.1
Cable/lead wire	11,528	6.0	10,000	5.1	7,513	4.0	5,313	4.1	4,297	4.5
LED	3,093	1.6	5,425	2.8	4,474	2.4	2,825	2.2	2,943	3.1
Others	30,938	16.0	25,743	13.3	41,660	21.8	24,502	19.2	13,304	14.2
	<u>191,994</u>	<u>100.0</u>	<u>195,079</u>	<u>100.0</u>	<u>189,908</u>	<u>100.0</u>	<u>128,076</u>	<u>100.0</u>	<u>93,855</u>	<u>100.0</u>

Our total cost of raw materials amounted to approximately HK\$192.0 million, HK\$195.1 million, HK\$189.9 million and HK\$93.9 million, which accounted for approximately 71.5%, 71.5%, 73.2% and 67.6% of our total cost of sales for the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, respectively.

During the Track Record Period, copper was our major raw material. According to the Euromonitor Report, the average price of copper decreased by 25.0% from USD7,322.1 per ton in 2013 to USD5,494.5 per ton in 2015.

### **Our production facilities and utilisation**

Our production facilities are located in Songgang, Shenzhen, Guangdong Province, the PRC with a total gross floor area of approximately 23,000 sq.m..

---

## SUMMARY

---

The following table sets out the estimated annual production capacity, actual sales volume of our major products and the utilisation rate of our production facilities during the Track Record Period:

	Estimated annual capacity	Approximate actual sales volume				Approximate utilisation rate			
		For the year ended 30 September			For the eight months ended 31 May 2016	For the year ended 30 September			For the eight months ended 31 May 2016
		2013	2014	2015		2013	2014	2015	
	( <i>'000 units</i> )	( <i>'000 units</i> )	( <i>'000 units</i> )	( <i>'000 units</i> )	( <i>'000 units</i> )				
Solenoid coils	7,571	4,036	6,305	5,288	2,051	53.3%	83.3%	69.8%	40.6%
Battery charger solution and power supply	2,016	1,939	1,937	1,397	795	96.2%	96.1%	69.3%	59.2%
LED lighting	432	398	261	179	106	92.1%	60.4%	41.4%	36.8%
Others									
- PCBA	720	475	514	645	440	66.0%	71.4%	89.6%	91.7%
- Parts assembly	8,064	6,580	6,382	7,440	3,701	81.6%	79.1%	92.3%	68.8%

The utilisation rate of solenoid coils increased from approximately 53.3% for the year ended 30 September 2013 to approximately 83.3% for the year ended 30 September 2014. The increase was mainly attributable to the increase in orders placed by Customer A. The utilisation rate of solenoid coils decreased from approximately 83.3% for the year ended 30 September 2014 to approximately 69.8% for the year ended 30 September 2015. The decrease was mainly attributable to the decrease in orders placed by Customer A. The utilisation rate of solenoid coils decreased to approximately 40.6% for the eight months ended 31 May 2016 due to the decrease in orders received from Customer A driven by the unfavourable economic environment in the markets of its end customers.

The utilisation rate of battery charger solution and power supply decreased from approximately 96.2% for the year ended 30 September 2013 to approximately 69.3% for the year ended 30 September 2015, and further reduced to approximately 59.2% for the eight months ended 31 May 2016. The decrease was mainly attributable to the decrease in the demand from our customers in Europe driven by the poor economic environment.

The utilisation rate of LED lighting decreased from approximately 92.1% for the year ended 30 September 2013 to approximately 41.4% for the year ended 30 September 2015 and then reduced to approximately 36.8% for the eight months ended 31 May 2016. The decrease was mainly attributable to: (i) the loss of one of our major customers in 2014 due to the thin margin; and (ii) the decrease in demand from our customers in the U.S. driven by the poor economic environment in the U.S..

The utilisation rate of PCBA increased from approximately 66.0% for the year ended 30 September 2013 to approximately 91.7% for the eight months ended 31 May 2016 due to the growing demand of PCBA from customers.

---

## SUMMARY

---

### Our machines and equipment

As at 31 May 2016, we owned over 100 units of machines including SMT machines, CNC machines, wire-cut machines and injection machines. Details of some of our principal machines as at the Latest Practicable Date are set out below:

<u>Machine/line</u>	<u>Years of service (approximately)</u>	<u>Approximate number of unit(s)</u>	<u>Useful lives (years)</u>	<u>Usage</u>
SMT line	3-17	3	6	Electronic PCBA
CNC	12-21	4	6	Tooling
Wire-Cut	12-17	7	6	Tooling
RoHS Tester	10	1	6	Quality control
Horizontal injection	less than 1-22	50	6	Fabricate plastic parts
Vertical injection	less than 1-16	17	6	Insert moulding parts

We have devised a set of internal procedures for regular checking and maintenance of our machines and equipment in the Songgang Factory. For the three years ended 30 September 2015 and the eight months ended 31 May 2016, we incurred maintenance costs of approximately HK\$1.8 million, HK\$1.8 million, HK\$0.7 million and HK\$0.4 million respectively.

### PROPERTIES

#### Owned properties

As at the Latest Practicable Date, we owned two parcels of industrial land with a total site area of approximately 10,701 sq.m, located in Songgang, Shenzhen, Guangdong Province, the PRC. The land use rights of these two adjoining land parcels were granted for a term of 50 years expiring on 3 September 2042. As at 31 May 2016, the net carrying amount of the two parcels of land and the five buildings was approximately HK\$10,985,000. Based on the Property Valuation Report in Appendix IV prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the market value of the two parcels of land and five buildings was RMB28,713,000.

We have constructed five buildings with an aggregate gross floor area of approximately 12,639.44 sq.m. on the two parcels of land for industrial workshops, warehouse, administration building, dormitory and maintenance uses. We have obtained the title certificates for two of these buildings, with an aggregate gross floor area of approximately 9,716.90 sq.m. As at the Latest Practicable Date, the said two parcels of land and the two buildings with title certificates were in compliance with the approved uses prescribed in the title certificates and free of any mortgages.

We have not obtained the title certificates in relation to three buildings, with an aggregate gross floor area of 2,922.54 sq.m., which are used for industrial workshops, warehouse and maintenance. We may not be able to obtain the title certificates in relation to the three buildings due to our failure to obtain the necessary construction permits before these three buildings were constructed. These three

---

## SUMMARY

---

buildings may be subject to penalty and demolition which may be imposed by the relevant planning authorities according to the applicable laws. For more information, please refer to the section headed “Risk factors — Valid title certificates of certain properties in the Songgang Factory have not yet been obtained” and “Business — Non-compliance matters” in this prospectus.

### **Leased properties**

As at the Latest Practicable Date, we are using six buildings with an aggregate gross floor area of approximately 19,788 sq.m, located in Songgang, Shenzhen, Guangdong Province, the PRC leased from an Independent Third Party (the “Landlord”). Four of the leased buildings are used for industrial workshops and warehouse, representing approximately 41.59% of the total gross floor area of the Songgang Factory, and two buildings are used for dormitories, representing approximately 19.43% of the total gross floor area of the Songgang Factory. The lease has been extended with expiry on 31 December 2017.

As confirmed by the Landlord, the leased buildings are brought into the Historical Unauthorised Buildings for the purpose of ratifying their valid title. As at the Latest Practicable Date, the leased buildings are still in the process of the governmental review and yet to be ratified. Given that (i) our leased buildings did not fall into the Historical Unauthorised Buildings legally required to be demolished, (ii) our leased properties were not brought into the 2016 Expropriation Projects, (iii) the leased buildings are located in the zone for industrial purpose based on the current planning and (iv) it generally takes two years to demolish or alter the buildings after they are announced to be included in the urban renew or expropriation project, our PRC Legal Advisers advised that the chance of our leased properties being demolished or expropriated before the end of 2018 is remote. For more information, please refer to the section headed “Risk factors — Valid title certificates of certain properties in the Songgang Factory have not yet been obtained” in this prospectus.

In view of the defective titles of leased and owned properties, we have identified two potential locations for relocation of our production facilities. For further details, please refer to the section headed “Business — Relocation to the new manufacturing facility” in this prospectus.

### **Our competitive strengths**

Our Directors consider that we possess the following competitive strengths:

- We possess a broad range of production capabilities and are able to respond and adapt to technological advancements and changes in market environment;
- We have established stable relationships with our major customers;
- We are a long-standing and well-established EMS manufacturer with origins as an OEM manufacturer;
- We have an experienced and capable management team;

---

## SUMMARY

---

- We place great emphasis on the quality of our manufacturing services; and
- Geographic proximity to key suppliers.

For details, please refer to the section headed “Business — Competitive strengths” in this prospectus.

### **Our business strategies**

We intend to focus on the following strategies:

- Streamline and modernise our production process and improve our production efficiency and ensure we are in a strong position to take advantage of the predicted growth in solenoid coils;
- Further strengthen our cooperative business relationship with Customer A for the production of the solenoid coils;
- Enhance our product development capabilities;
- Engage in marketing activities to promote and enhance our product and corporate recognition; and
- Grow our business strategically through merger, acquisition and business collaboration.

For details, please refer to the section headed “Business — Business strategies” in this prospectus.

### **Foreign currency risk**

While a substantial percentage of our sales are denominated in USD given our export sales to overseas customers, some of our costs are denominated in RMB. Our Group may be subject to increased costs and lowered profitability if RMB appreciates against HK\$.

Since HK\$ is pegged to USD under the Linked Exchange Rate System, the Group does not expect significant foreign currency exposure in relation to the exchange rate fluctuation between HK\$ and USD. The Group mainly has exposure to the currency exchange rate of RMB against HK\$.

---

## SUMMARY

---

The following table demonstrates the sensitivity analysis for potential changes in RMB/HK\$ exchange rate, with all other variables held constant, on the Group's revenue and cost of sales during the Track Record Period.

<b>Hypothetical change in the exchange rate of HK\$/RMB</b>	<b>Increase/ (Decrease) in revenue</b>		<b>Increase/ (Decrease) in cost of sales</b>		<b>Increase/ (Decrease) in profit after income tax</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
<b>For the year ended 30 September 2013</b>						
5	922	0.3	13,366	5.0	(12,767)	(55.6)
(5)	(922)	(0.3)	(13,366)	(5.0)	12,767	55.6
<b>For the year ended 30 September 2014</b>						
5	1,088	0.3	13,687	5.0	(13,053)	(34.9)
(5)	(1,088)	(0.3)	(13,687)	(5.0)	13,053	34.9
<b>For the year ended 30 September 2015</b>						
5	937	0.3	12,575	4.8	(12,300)	(25.6)
(5)	(937)	(0.3)	(12,575)	(4.8)	12,300	25.6
<b>For the eight months ended 31 May 2016</b>						
5	388	0.2	6,898	5.0	(6,900)	(65.0)
(5)	(388)	(0.2)	(6,898)	(5.0)	6,900	65.0

Our Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. Our management closely monitors our Group's currency exposure and will consider hedging significant foreign currency exposure risk when the need arises.

## SUMMARY

### KEY OPERATING AND FINANCIAL DATA

The following tables present the summary of our Group's financial information for the Track Record Period. The following financial information should be read in conjunction with the financial information included in the Accountant's Report set out in Appendix I to this prospectus, including the notes thereto.

#### Selected information from consolidated statements of profit or loss

	Year ended 30 September			Eight months ended 31 May	
	2013	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Unaudited)</i>	
Revenue	325,244	334,496	327,634	216,736	179,319
Gross profit	56,584	61,690	68,068	39,675	40,560
Profit before income tax and one-off items ( <i>Note</i> )	27,400	33,834	43,187	24,094	22,582
Profit after income tax (excluding one-off items)	22,055	27,207	33,208	18,259	17,562
Profit before income tax	28,586	37,411	43,187	24,094	10,615
Profit for the year/period	23,241	30,194	33,208	18,259	5,595

*Note:*

- During the year ended 30 September 2013, the one-off items included realised exchange differences on the liquidation of a subsidiary recycled from other comprehensive income of approximately HK\$1,186,000.
- During the year ended 30 September 2014, the one-off item included management fee refund from the former ultimate holding company of approximately HK\$3,577,000.
- During the eight months ended 31 May 2016, the one-off item included listing expenses of approximately HK\$11,967,000.

#### Selected information from consolidated statements of financial position

	As at 30 September			As at 31 May
	2013	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	21,069	19,426	19,273	17,607
Current assets	257,500	220,135	159,660	135,111
Net current assets	71,358	102,949	59,302	6,951
Net assets	92,427	122,375	77,675	23,458

---

## SUMMARY

---

### Key financial ratios

	Year ended/as at 30 September			Eight months ended/as at 31 May
	2013	2014	2015	2016
	Gross profit margin	17.4%	18.4%	20.8%
Net profit margin before interest and taxes	8.8%	10.8%	12.7%	6.4%
Net profit margin	7.1%	9.0%	10.1%	3.1%
Return on equity	25.1%	24.7%	42.8%	23.9%
Return on total assets	8.3%	12.6%	18.6%	3.7%
Current ratio	1.38	1.88	1.59	1.05
Quick ratio	1.23	1.57	1.37	0.84
Debt to equity ratio	N/A	0.036%	N/A	N/A

### Revenue

Revenue increased by approximately HK\$9.3 million or 2.8% from approximately HK\$325.2 million for the year ended 30 September 2013 to approximately HK\$334.5 million for year ended 30 September 2014. The increase was primarily attributable to the increase in sale of solenoid coils partially offset by the decrease in sale of battery charger solution and power supply and LED lighting.

Revenue decreased by approximately HK\$6.9 million or 2.1% from approximately HK\$334.5 million for the year ended 30 September 2014 to approximately HK\$327.6 million for the year ended 30 September 2015. The decrease was primarily attributable to a general economic slowdown in Europe and the U.S..

Revenue decreased by approximately HK\$37.4 million or 17.3% from approximately HK\$216.7 million for the eight months ended 31 May 2015 to approximately HK\$179.3 million for the eight months ended 31 May 2016. The decrease was primarily attributable to the continued general economic slowdown in Europe and the U.S..

### Gross profit margin

The gross profit margin was 17.4%, 18.4%, 20.8% and 22.6% for the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016. The increase was primarily due to: (i) the shift of our product mix towards higher priced products that mainly included commercial LED lighting and PCBA; and (ii) the decrease in raw material prices.

---

## SUMMARY

---

### **Net profit margin before interest and taxes and net profit margin**

The net profit margin before interest and taxes and the net profit margin increased from approximately 8.8% and 7.1% for the year ended 30 September 2013 to approximately 10.8% and 9.0% for the year ended 30 September 2014, respectively. The increase was mainly attributable to: (i) an increase in gross profit margin from 17.4% for the year ended 30 September 2013 to 18.4% for the year ended 30 September 2014; and (ii) an increase in other income by approximately HK\$5.8 million due to the management fee refund from the former ultimate holding company of approximately HK\$3.6 million and an increase in sundry income by approximately HK\$2.2 million. The net profit margin before interest and taxes and the net profit margin increased from approximately 10.8% and 9.0% for the year ended 30 September 2014 to approximately 12.7% and 10.1% for the year ended 30 September 2015, respectively. The increase was mainly attributable to an increase in gross profit margin from 18.4% for the year ended 30 September 2014 to 20.8% for the year ended 30 September 2015, and other factors as discussed above. The net profit margin before interest and taxes and the net profit margin decreased from approximately 10.5% and 8.4% for the eight months ended 31 May 2015 to approximately 6.4% and 3.1% for the eight months ended 31 May 2016, respectively. The decrease was mainly attributable to the inclusion of listing expenses of approximately HK\$12.0 million for the eight months ended 31 May 2016, reduced other income of approximately HK\$1.3 million and reduced interest income of approximately HK\$1.9 million offset by reduced selling and distribution costs of approximately HK\$1.1 million.

### **Net current assets**

Our net current assets increased by approximately HK\$31.5 million or 44.3% from approximately HK\$71.4 million as at 30 September 2013 to approximately HK\$102.9 million as at 30 September 2014. In overall terms, the increase was mainly due to the profit for the year of HK\$30.2 million being retained in our Group.

Our net current assets decreased by approximately HK\$43.6 million or 42.4% from approximately HK\$102.9 million as at 30 September 2014 to approximately HK\$59.3 million as at 30 September 2015. The decrease was mainly due to the payment of dividends of HK\$78.6 million in the year offset by the profit for the year of HK\$33.2 million.

Our net current assets decreased by approximately HK\$52.3 million or 88.3% from approximately HK\$59.3 million as at 30 September 2015 to approximately HK\$7.0 million as at 31 May 2016. The decrease was mainly due to the payment of dividends of HK\$28.5 million and the declaration of a dividend of HK\$30.0 million in the period offset by the profit for the period of HK\$5.6 million.

For further details, please refer to the section headed “Financial information” in this prospectus.

---

## SUMMARY

---

### **Dividend**

During the three years ended 30 September 2015 and the eight months ended 31 May 2016, we have declared dividends of HK\$7,500,000, HK\$20,000,000, HK\$67,094,000 and HK\$50,000,000, respectively. On 14 December 2015, we originally declared a dividend of HK\$50,000,000, of which HK\$20,000,000 was paid on 16 December 2015, while the remaining HK\$30,000,000 was later rescinded by the Board on 29 January 2016 as the Company did not submit the listing application to the Stock Exchange. Thereafter, a second interim dividend of HK\$30,000,000 was declared on 15 April 2016, prior to the submission of the listing application on 27 April 2016. The Group paid the dividend of HK\$30,000,000 in October 2016 through internal resources.

Our Company currently does not have a dividend policy and may declare dividends by way of cash or by other means that the Directors consider appropriate. Our distribution of dividends in the future, if any, will depend on the results of our operations, cash flows, financial conditions, statutory and regulatory restrictions and other factors that we may consider relevant. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year.

There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year. The dividend payment will reduce our liquidity position as cash balance will be reduced accordingly. Although we do not have a dividend policy, we will consider our results of operations and cash flows when we decide to distribute dividends. As such, we expect a healthy liquidity position can be maintained after the distribution of dividends.

### **COMPETITION**

#### **1. Concentrated market in solenoid coil sector in China**

According to the Euromonitor Report, the five largest manufacturers in the solenoid coils sector have in aggregate covered approximately 78.9% of the market share in China in 2015 based on sales value. All of them are foreign brands, while four of them are multinational listed corporations. The five largest manufacturers have accounted for a major share of the whole market as they not only offer a wide variety of products but also better quality than other domestic enterprises.

#### **2. Fragmented market in the industrial grade charger sector in China**

According to the Euromonitor Report, the five largest manufacturers in the industrial grade charger sector only accounted for approximately 34.6% of the market share in China in 2015 in terms of sales value.

---

## SUMMARY

---

We compete with other manufacturers in the PRC in aspects such as pricing, product quality and product development capabilities. The main entry barriers into the EMS industry in the PRC include capital requirement and customer relationship. Our Directors believe that our Group's competitive strengths, details of which are set out in the paragraph "Our Competitive Strengths" in this section, distinguish us from our counterparts and place us in a competitive position in the EMS industry in the PRC. Please refer to the section "Industry Overview" for further details.

### 3. Competition with manufacturers in the PRC and other countries

During the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, the revenue generated from the U.S. accounted for approximately 46.1%, 54.2%, 56.7% and 53.1% of our total revenue, respectively. The revenue generated from the UK and the rest of Europe amounted for approximately 23.2%, 20.0%, 19.5% and 21.4% of our total revenue during the said periods, respectively.

Since our customers are located in various countries outside China, the Group is facing competition from the global manufacturers as well as Chinese manufacturers who are engaged in export sales. Our Directors believe that our production efficiency and product development capacity will be increased in the new production plant and this will place the Group in a more price competitive position.

### Breach of Financial Covenant

Our subsidiary, Pantene Industrial, experienced a breach of a financial covenant which requires it to maintain its adjusted consolidated tangible net worth to be not less than US\$10.0 million (approximately HK\$78.0 million) during the term of the respective borrowing. As at each of 30 September 2014 and 30 September 2015, the respective adjusted consolidated tangible net worth of Pantene Industrial was below US\$10.0 million, and it could not therefore comply with the requisite financial indicator under the financial covenant stated above. The failure to comply with the financial covenant may entitle the lending bank to suspend, withdraw or make demand in respect of the whole or any part of the facilities at any time. As at 30 September 2014 and 30 September 2015, the outstanding principal amount of the short-term bank borrowings due to the lending bank and subject to the above financial covenant amounted to approximately HK\$2.0 million and HK\$0.4 million, respectively. The lending bank has acknowledged that Pantene Industrial failed to comply with the aforementioned financial covenant during the years ended 30 September 2014 and 30 September 2015. In August 2016, our Group renewed the bank facility which contains the aforementioned financial covenant upon its maturity and as an on-going condition of the facilities contemplated thereunder, Pantene Industrial is required to comply with all the financial covenants set out therein in the coming year. As at the Latest Practicable Date, (a) the lending bank did not take any action such as suspending, withdrawing or making demand for repayment of the whole or any part of the facilities nor impose any penalty fee; (b) the lending bank has granted Pantene Industrial a waiver of compliance with the financial covenant as at 30 September 2014 and 30 September 2015; and (c) the lending bank has removed such covenant from the bank facility after 30 September 2015. Our Directors confirmed that the aforesaid breach of financial covenant had not triggered cross default in any of our Group's other facilities as at the Latest Practicable Date.

---

## SUMMARY

---

Our Directors have taken all necessary steps to ensure the ongoing compliance with financial covenants under the banking facilities. Please refer to the section headed “Financial Information — Indebtedness — Bank borrowings” of this prospectus for details. As at the Latest Practicable Date, we had not breached any other existing financial covenant requirements.

### RECENT DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

Based on our unaudited financial statements, our revenue for the four months ended 30 September 2016 was approximately HK\$109.7 million, representing a decrease of approximately HK\$1.2 million or 1.1% compared to the same period of last year.

Our reporting accountant has conducted a review on our subsequent interim financial information for the four months ended 30 September 2016 in accordance with the Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

The estimated listing expenses are in aggregate approximately HK\$34.5 million, of which approximately HK\$8.7 million is directly attributable to the issue of new Shares in the Listing and to be accounted for as a deduction from equity. A further HK\$3.7 million is attributable to the Sale Shares and will be paid for by New Wave. The remaining estimated listing expenses of approximately HK\$17.2 million and HK\$4.9 million will be charged to the consolidated statement of profit or loss for the year ended 30 September 2016 and the year ending 30 September 2017, respectively.

Accordingly, the unaudited net profit of our Group for the year ended 30 September 2016 is expected to decrease as a result of the estimated listing expenses, which are non-recurring in nature. Our Directors would like to emphasise that the listing expenses above are the current estimate for reference only and the actual amount to be recognised is subject to adjustment based on audit and the changes in variables and assumptions.

Save and except for the above, our Directors confirm that, since 1 June 2016 and up to the date of this prospectus, there has been no material change in our business, results, operation, financial or trading position or prospects, and no event has occurred which would materially affect the information shown in the Accountant’s Report set out in Appendix I to this prospectus. However, the Group’s financial performance for the year ending 30 September 2017 may be affected by, among other things, the incurrence of listing expenses, one-off relocation expenses, additional rental expenses due to the Relocation and depreciation expenses arising from the investment of new machines and leasehold improvements and the set-up cost of the planned joint venture with Customer A. For further details, please refer to the section headed “Risk factors — Exposure to relocation expenses, additional depreciation and rental expenses due to the relocation and set up costs of the planned joint venture with Customer A, which may cause a deterioration in financial performance for the year ending 30 September 2017”.

---

## SUMMARY

---

### FUTURE PLANS AND USE OF PROCEEDS

Our Directors believe that the net proceeds to be received by our Company from the Share Offer will raise our corporate profile, strengthen our capital base and provide funding for achieving our business relocation plan.

The net proceeds from the Share Offer, after deducting underwriting fees and estimated expenses paid and payable by us in connection thereto, are estimated to be approximately HK\$71.3 million, assuming an Offer Price of HK\$1.62 per Share, being the mid-point of the proposed Offer Price range of HK\$1.44 to HK\$1.80 per Share. We intend to use such net proceeds as follows:

- approximately HK\$69.5 million (or approximately 97.5% of our total estimated net proceeds) will be used for streamlining and modernising our production process as well as the relocation of production facilities from the Songgang Factory to a self-contained leasehold manufacturing facility in the Shenzhen area of which:
  - (a) approximately HK\$33.0 million (or approximately 46.2% of our total estimated net proceeds) will be used to purchase new machineries and equipment for the installation of new production lines, including injection moulding machines, auto-wiring machines and SMT machines;
  - (b) approximately HK\$17.3 million (or approximately 24.3% of our total estimated net proceeds) will be used for the leasehold improvement of the new manufacturing facility in Shenzhen;
  - (c) approximately HK\$11.5 million (or approximately 16.2% of our total estimated net proceeds) will be used in raw materials, additional labour cost and manufacturing overheads to manufacture additional inventories to meet customers' demand during the process of relocation. The relocation of each major production line is estimated to take around eight days. As such, the Group will produce approximately two weeks of additional inventories in the event that there is any production stoppage during the relocation of each production line, thereby enabling the Group to meet its customers' demand without any material production interruption and any expected revenue loss. The cost of producing additional finished goods will be approximately HK\$11.5 million which is calculated based on the average weekly revenue of approximately HK\$14.7 million derived from the two highest monthly sales revenue during the financial year ended 30 September 2015 and average gross profits of approximately 21.9%.
  - (d) approximately HK\$7.7 million (or approximately 10.8% of our total estimated net proceeds) will be used to complete the re-arrangement of manufacturing activities of our production bases, including relocation expenses, and deposits payable on the new production plant and dormitory leases;

---

## SUMMARY

---

For details of the relocation, please refer to the section headed “Business — Relocation to the new manufacturing facility”.

- approximately HK\$1.8 million (or approximately 2.5% of our total estimated net proceeds) will be used for general working capital and general corporate purposes.

We estimate that the Selling Shareholder will receive net proceeds of approximately HK\$40.0 million at the Offer Price of HK\$1.62 per Share (being the mid-point of the indicative range of the Offer Price) after deducting related underwriting fees and estimated expenses in connection with the Share Offer. We will not receive any proceeds from the Sale Shares.

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

### OFFERING STATISTICS

	<b>Based on minimum Offer Price of HK\$1.44</b>	<b>Based on maximum Offer Price of HK\$1.80</b>
Market capitalisation ( <i>Note 1</i> )	HK\$432 million	HK\$540 million
Unaudited pro forma adjusted consolidated net tangible asset per Share ( <i>Note 2</i> )	HK\$0.32	HK\$0.39

*Notes:*

1. The calculation of the market capitalisation of our Shares is based on the Offer Price of HK\$1.44 or HK\$1.80 each and 300,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue.
2. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at on the basis that 300,000,000 Shares were in issue immediately after completion of the Share Offer and the Capitalisation Issue.

### RISK FACTORS

We believe that there are certain risks involved in our operations. Many of these risks are beyond our control and can be categorised into: (a) risks relating to our Group; (b) risks relating to our industry; (c) risks relating to conducting our operations in the PRC; and (d) risks relating to the Shares and the Share Offer. We believe the followings are some of the major risks that may have a material adverse effect on us:

- We depend on our major customers and any disruption or termination of our business relationships with our major customers or fluctuations in their demand for our products may have a material adverse effect on our business, results of operations, financial condition and prospects;

---

## SUMMARY

---

- Valid title certificates of certain properties in the Songgang Factory have not yet been obtained;
- Exposure to relocation expenses, additional depreciation and rental expenses due to the relocation and set up costs of the planned joint venture with Customer A, may cause a deterioration in financial performance for the year ending 30 September 2017;
- We may be subject to additional tax liabilities, which could have adverse impacts on our financial condition;
- An increase in the cost of labour may adversely affect our business, financial condition, results of operations and growth prospects; and
- Fluctuations in raw material prices may affect our cost of sales and adversely affect our business operations and profitability.

You should consider the risk factors set out in this prospectus carefully before making a decision to invest in the Shares. Please refer to the section headed “Risk factors” in this prospectus for further details.

### SHAREHOLDERS’ INFORMATION

#### Controlling Shareholders

Immediately following the completion of the Capitalisation Issue and the Share Offer, Mr. Hsu, through SNH Global and New Wave, holds 70% of our Company’s issued Shares (without taking into account the Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), and will remain as our Group’s Controlling Shareholder. For details regarding the shareholding interest of the Controlling Shareholders, please refer to the section headed “Substantial shareholders” in this prospectus.

#### Previous listing of our business on the Stock Exchange

Up until 30 May 2014, the Group was owned by UPI (stock code: 0176), a company listed on the Main Board of the Stock Exchange.

On 8 February 2014, New Wave entered into a sale and purchase agreement with UPI (stock code: 0176) to acquire all of the then issued shares of the Company and the corresponding shareholder’s loans. The total cash consideration was US\$22.5 million (equivalent to HK\$175.1 million) comprising US\$20.8 million (equivalent to approximately HK\$161.7 million) in respect of the sale shares and US\$1.7 million (equivalent to approximately HK\$13.4 million) in respect of the shareholder’s loans. On 30 May 2014, the disposal of the Company by UPI (stock code: 0176) was completed and the Company and its subsidiaries ceased to be subsidiaries of UPI (stock code: 0176).

Following completion, Mr. Hsu resigned as executive director of UPI (stock code: 0176) with effect from 30 May 2014. Mr. Lim also resigned as executive director and chief executive officer of UPI (stock code: 0176), both with effect from 1 October 2014.

---

## SUMMARY

---

### NON-COMPLIANCE

During the Track Record Period, we had historical non-compliance with respect to certain properties where we operate in the PRC and certain Hong Kong regulatory requirements. Our Directors are of the view that such incident of non-compliance has not and will not have a material adverse effect on our business, results of operations and financial condition. Please refer to the section headed “Business — Non-compliance matters” in this prospectus for further details.

### PROFIT ESTIMATE FOR THE YEAR ENDED 30 SEPTEMBER 2016

Our Directors estimate that, based on Appendix III to this prospectus, our estimated consolidated profit attributable to owners of our Company and unaudited pro forma estimated earnings per Share for the year ended 30 September 2016 will be as follows:

Estimated consolidated profit attributable to owners of our Company	not less than HK\$14.7 million
Unaudited pro forma estimated earnings per Share	not less than HK\$0.049

The profit estimate, for which our Directors are solely responsible, has been prepared based on (i) the audited consolidated results of our Group for the eight months ended 31 May 2016 in the Accountant’s Report as set out in Appendix I to this prospectus; and (ii) the unaudited consolidated results based on the management accounts of the Group for the remaining four months ended 30 September 2016.

The calculation of the unaudited pro forma estimated earnings per Share is based on the estimated consolidated profit attributable to owners of our Company for the year ended 30 September 2016 and on the assumptions that our Company has been listed since 1 October 2015 and that a total number of 300,000,000 Shares were in issue throughout the year ended 30 September 2016. The estimated consolidated profit attributable to owners of our Company for the year ended 30 September 2016 has not taken into account any interest income that would have been earned if the proceeds from the Share Offer had been received by our Company on 1 October 2015.

---

## DEFINITIONS

---

*In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.*

“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s), <b>PINK</b> Application Form(s) and <b>GREEN</b> Application Form(s) or where the context so requires, any of them, relating to the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, adopted on 27 October 2016 which shall become effective upon registration by the Registrar of Corporate Affairs in the BVI prior to the Listing, and as amended from time to time, a summary of which is set forth in the section headed “Summary of the constitution of our Company and the British Virgin Islands company law” in Appendix V to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Banking Ordinance”	the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Board”	the board of Directors
“Brexit”	referendum held in the UK on 23 June 2016 pursuant to which the UK electorate voted in favour of the UK withdrawing from the European Union
“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 issue of 236,800,000 Shares to be made upon the capitalisation of part of the amount standing to the credit of the reserve account of our Company referred to in the paragraph headed “3. Written resolutions of our sole Shareholder passed on 27 October 2016” under the section headed “Statutory and general information — A. Further information about our Company and our subsidiaries” in Appendix VI to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

---

## DEFINITIONS

---

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedure and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“Chicago Warehouse”	storage space utilised by the Group pursuant to the Warehouse Agreement located at 1101 Busse Road, Elk Grove Village, Chicago, Illinois, 60007, the U.S.
“Chicago Warehouse Operator”	the operator of the Chicago Warehouse, an Independent Third Party
“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
“close associates”	has the meaning ascribed to it under the Listing Rules
“Companies Act”/ “BVI Business Companies Act”	the BVI Business Companies Act, 2004, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”	Pantronics Holdings Limited, a company incorporated in the BVI on 27 December 1990 with limited liability
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules

---

## DEFINITIONS

---

“connected transaction(s)”	has the same meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	the controlling shareholders (having the meaning ascribed to it under the Listing Rules) of the Company, namely, Mr. Hsu, SNH Global and New Wave
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 27 October 2016 entered into by the Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries) as further detailed in the section headed “E. Other information — I. Tax and other indemnities” in Appendix VI to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 27 October 2016 given by the Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries)
“Director(s)”	the director(s) of our Company
“Eligible Employee”	any full-time employee of our Group who joined our Group on or before the Latest Practicable Date and who: (a) is at least 18 years of age; (b) has a Hong Kong address and is a holder of Hong Kong Identity Card; (c) remains as a full-time employee of our Company or any of our subsidiaries, and is not on probation, as at the Latest Practicable Date; (d) has not tendered resignation or been given notice of termination of employment for any reason other than redundancy or retirement on or before the Latest Practicable Date; (e) is not the chief executive or directors of our Company or our subsidiaries or a close associate of such chief executive or directors; (f) is neither an, nor an associate of an, existing beneficial owner of Shares or of shares of any of our subsidiaries; and (g) is not any other connected persons of the Company
“Employee Preferential Offering”	the offer of the Employee Reserved Shares for subscription by the Eligible Employees at the Offer Price (plus a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the <b>PINK</b> Application Form, as further described in the section headed “Structure of the Share Offer — The Employee Preferential Offering” in this prospectus

---

## DEFINITIONS

---

“Employee Reserved Shares”	the 900,000 Hong Kong Offer Shares (representing 1.0% of the total number of Offer Shares initially being offered under the Share Offer) being offered pursuant to the Employee Preferential Offering and which are to be allocated out of the Offer Shares
“Euromonitor”	Euromonitor International Limited, a global research organisation and an Independent Third Party
“Euromonitor Report”	an industry report prepared by Euromonitor which was commissioned by us in relation to the EMS industry in China
“European Union” or “EU”	the politico-economic union of member states which includes, as at the Latest Practicable Date, Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the UK
“FOB”	an abbreviation for free on board, which means that title and risk pass to the buyer including payment of all transportation and insurance cost once delivered to a specified destination by the seller; an international commerce term used for sea or inland waterway transportation
“Grace Harvest”	Grace Harvest Corporation Limited (雅沛有限公司), a company incorporated in Hong Kong with limited liability on 8 July 2014 and which is a wholly-owned subsidiary of the Company
“GREEN Application Form(s)”	the application form(s) to be completed by <b>HK eIPO White Form</b> Service Provider designated by our Company
“Group”, “we”, “us” or “our”	our Company together with its subsidiaries and in respect of the period before our Company became the holding company of its present subsidiaries, the companies that are the present subsidiaries of our Company
“ <b>HK eIPO White Form</b> ”	the application for Public Offer Shares to be issued in the applicant’s own name by submitting an application online at the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“ <b>HK eIPO White Form</b> Service Provider”	the HK eIPO White Form Service Provider designated by our Company, as specified on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>

---

## DEFINITIONS

---

“HK\$” or “HK dollar(s)” or “HKD” and “cent(s)”	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Hong Kong Legal Counsel”	Mr. David Fong, barrister-at-law of Hong Kong and an Independent Third Party
“Incoterms”	Incoterms rules or International Commercial Terms, a series of pre-defined commercial terms published by the International Chamber of Commerce (ICC). They are widely used in International commercial transactions or procurement processes
“Independent Third Party(ies)”	party or parties that is or are independent of and not connected with our Company and connected persons of our Company within the meaning of the Listing Rules
“IRD”	Inland Revenue Department of the government of Hong Kong
“Joint Bookrunners”	Octal Capital, Quam Securities Company Limited and Koala Securities Limited
“Joint Lead Managers”	Octal Capital, Quam Securities Company Limited, Koala Securities Limited and Futu Securities International (Hong Kong) Limited
“Latest Practicable Date”	31 October 2016, being the latest practicable date for ascertaining certain information prior to the printing of this prospectus
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date expected to be on or about 21 November 2016, on which our Shares are listed and dealings in our Shares commence on the Stock Exchange

---

## DEFINITIONS

---

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Lixin”	Lixin Certified Tax Agents Co. Ltd., the tax adviser of the Company with respect to transfer pricing arrangement of the Group
“Macau”	the Macao Special Administrative Region of the PRC
“Main Board”	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of the Company adopted on 27 October 2016 which shall become effective upon registration by the Registrar of Corporate Affairs in the BVI prior to the Listing, and as amended from time to time
“Mr. Hsu”	Mr. Hsu Simon Nai-cheng (徐乃成), the Controlling Shareholder and the non-executive Director of our Company
“Mr. Lim”	Mr. Henry Woon-hoe Lim, an executive Director of our Company
“New Shares”	63,000,000 new Shares to be offered for subscription pursuant to the Share Offer
“New Wave”	New Wave Capital Limited (新浪投資有限公司), a company incorporated in the BVI on 8 October 2013 with limited liability and wholly owned by SNH Global, a Controlling Shareholder
“Octal Capital” or “Sole Sponsor”,	Octal Capital Limited (八方金融有限公司), a licensed corporation under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for or purchased pursuant to the Share Offer, to be determined in the manner further described in the paragraph headed “Pricing and Allocation — Determining the Offer Price” in the section headed “Structure of the share offer” of this prospectus

---

## DEFINITIONS

---

“Offer Shares”	the Public Offer Shares and the Placing Shares
“Pan Electrium”	Pan Electrium Industrial Company Limited (品力實業有限公司), a company incorporated in Hong Kong with limited liability on 4 March 1998 and which is an indirect wholly-owned subsidiary of the Company
“Panjet BVI”	Panjet (Int’l) Limited, a company incorporated in the BVI with limited liability on 18 August 1992 and which is a wholly-owned subsidiary of the Company
“Panjet Service”	Panjet Service Company Limited (品捷有限公司), a company incorporated in Hong Kong with limited liability on 15 January 1991 and which is a wholly-owned subsidiary of the Company
“Pantene Industrial”	Pantene Industrial Co. Limited (品頂實業有限公司), a company incorporated in Hong Kong with limited liability on 30 December 1983 and which is a wholly-owned subsidiary of the Company
“Pantene Philippines”	Pantene Industrial (Philippines), Inc., a company incorporated under Philippine laws on 4 September 1996, in which Pantene Industrial has completed the disposal of its shareholdings therein, on 26 October 2016
“Pantene USA”	Pantene Electronics North America, Inc., a corporation under the laws of the State of Illinois with limited liability on 26 August 2005 and which is an indirect wholly-owned subsidiary of the Company
“Pantronics BVI”	Pantronics (Int’l) Limited, a company incorporated in the BVI with limited liability on 22 July 1991 and which is a wholly-owned subsidiary of the Company
“Pantronics International”	Pantronics International Holdings Limited (品德國際集團有限公司), a company incorporated in Hong Kong with limited liability on 1 July 1993 and which is a wholly-owned subsidiary of the Company
“Philippines”	The Republic of the Philippines
“Philippines Legal Advisers”	Fortun Narvasa & Salazar, the legal advisers of the Company as to Philippines law

---

## DEFINITIONS

---

“Pin Xin”	Pin Xin International Limited (品新國際有限公司), a company incorporated in Hong Kong with limited liability on 29 November 1994 and which is an indirect wholly-owned subsidiary of the Company
“ <b>PINK</b> Application Form(s)”	the application form(s) to be sent to Eligible Employees to subscribe for the Employee Reserved Shares pursuant to the Employee Preferential Offering
“Placing”	the conditional placing by the Placing Underwriters of the Placing Shares at the Offer Price to selected professional, institutional and other investors as set forth in the section headed “Structure of the Share Offer” in this prospectus
“Placing Shares”	81,000,000 Offer Shares, comprising 54,000,000 New Shares and 27,000,000 Sale Shares initially offered for subscription and purchase under the Placing, representing 90% of the initial number of the Offer Shares, subject to the reallocation as described in the section headed “Structure of the Share Offer” in this prospectus
“Placing Underwriters”	the group of underwriters led by the Sole Global Coordinator, who are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the conditional placing agreement relating to the Placing and to be entered into by, among others, our Company and the Sole Global Coordinator (for itself and on behalf of the Placing Underwriters) on or about the Price Determination Date, as further described in the section headed “Underwriting — Placing Underwriting Agreement” in this prospectus
“PRC Legal Advisers”	King & Wood Mallesons, the legal advisers of the Company as to PRC law
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement expected to be entered into between our Company (for itself and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date to record the agreement on the final Offer Price
“Price Determination Date”	the date, expected to be on or around Tuesday, 15 November 2016, on which the final Offer Price is to be fixed for the purpose of the Share Offer

---

## DEFINITIONS

---

“Public Offer”	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in this prospectus and the Application Forms
“Public Offer Shares”	9,000,000 New Shares being initially offered by us for subscription pursuant to the Public Offer, subject to reallocation as described in the section headed “Structure of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer whose names are set forth in the section headed “Underwriting — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 8 November 2016 relating to the Public Offer entered into between, among others, our Company and the Public Offer Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Reorganisation”	the corporate reorganisation of the Group in preparation for Listing as more particularly described in the section headed “History, reorganisation and group structure — Reorganisation” in this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“Sale Shares”	27,000,000 Shares to be offered by the Selling Shareholder for purchase at the Offer Price under the Placing
“Selling Shareholder”	New Wave
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of a nominal value of HK\$0.001 each in our Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Share Offer”	the Public Offer and the Placing

---

## DEFINITIONS

---

“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company pursuant to a resolution passed by the Shareholders on 27 October 2016, the principal terms of which are summarised in the section headed “Share Option Scheme” in Appendix VI to this prospectus
“Shenzhen Pantai”	深圳品泰電子有限公司 (Shenzhen Pantai Electronic Co., Ltd.) a company established in the PRC with limited liability on 9 April 1994 and which is an indirect wholly-owned subsidiary of the Company
“SNH Global”	SNH Global Holdings Limited (至成控股有限公司), a company incorporated in the BVI on 27 May 2013 with limited liability and wholly owned by Mr. Hsu and a Controlling Shareholder
“Sole Global Coordinator”	Quam Securities Company Limited (華富嘉洛證券有限公司), a licensed corporation under the SFO and permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities as defined under the SFO
“Songgang Factory”	our production facilities and dormitories located in Songgang, Shenzhen, Guangdong Province, China, with a total gross floor area of approximately 32,427 sq.m. and operated by Shenzhen Pantai
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	The Hong Kong Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time
“Tax Adviser”	BDO Tax Limited, the tax adviser of the Company
“Track Record Period”	the three years ended 30 September 2015 and the eight months ended 31 May 2016
“UK”	the United Kingdom
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement

---

## DEFINITIONS

---

“United States” or “U.S.”	the United States of America
“UPI”	United Pacific Industries Limited (stock code: 0176), a company listed on the Main Board of the Stock Exchange
“US Legal Advisers”	CKR Law LLP, the legal advisers of the Company as to U.S. law
“USD”, “US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“Warehouse Agreement”	the warehouse agreement entered into between the Company and Customer A dated 26 November 2001, the terms and conditions of which remained valid during the Track Record Period
“ <b>WHITE</b> Application Form(s)”	the application form(s) to be completed in accordance with the instructions in the section headed “How to Apply for Public Offer Shares — 3. Applying for public offer shares and employee reserved shares” in this prospectus
“ <b>YELLOW</b> Application Form(s)”	the application form(s) to be completed in accordance with the instructions in the section headed “How to Apply for Public Offer Shares — 3. Applying for public offer shares and employee reserved shares” in this prospectus

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancy in any table between totals and sums of individual amounts listed in any table are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

*Unless expressly stated or the context otherwise requires, all data in this prospectus is as at the date of this prospectus.*

*The English names of PRC laws, rules, regulations, nationals, entities, governmental authorities, institutions, facilities, certificates and title etc. mentioned in this prospectus are translations from their Chinese names and are for identification purpose only. If there is any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.*

---

## GLOSSARY OF TECHNICAL TERMS

---

*This glossary contains explanations of certain terms used in this prospectus. These terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.*

“AQL standard”	Acceptable Quality Level standard, which refers to the maximum number of defective that could be considered acceptable during the random sampling of an inspection
“ASTA”	Association of Short-Circuit Authorities, an international benchmarking standard association that awards ASTA certificates and endorses reports that are only available through testing at ‘recognised’ testing facilities that have been rigorously assessed by ASTA
“CAGR”	Compound annual growth rate, a method of assessing the average growth of a value over time
“CE”	Conformite Europeenne (“European Conformity”), a mandatory conformity mark for products placed on the market in the European Economic Area (EEA). With the CE marking on a product the manufacturer ensures that the product conforms with the essential requirements of the applicable EC directives
“CNC”	Computerised numerical control
“Coil bundles”	a number of lead wire coils bound together and connected to a common terminal to enable easier connection
“EMS”	Electronic manufacturing services, which are one-stop services provided by companies that includes product design and development, procurement of raw materials, product manufacture, related logistics, and after-sales services
“GDP”	Gross Domestic Product
“IRAM”	The Instituto Argentino de Normalización y Certificación is a non-for-profit private association founded in 1935. It is the National Body of Argentina and also operates certification activities under an independent management
“ISO”	the International Organisation for Standardisation, a worldwide federation of national standardisation bodies
“ISO 9001”	a quality management system model published by ISO based on a number of quality management principles including a strong customer focus, the motivation and implication of top management, the process approach and continual improvement

---

## GLOSSARY OF TECHNICAL TERMS

---

“ISO 14001”	a set of standards published by ISO, which specifies a framework of control for an environmental management system
“KC”	The KC (Korea Certification) mark signifies compliance with South Korea’s product safety requirements for electrical and electronic equipment and components. The AC/DC adaptors exported to South Korea shall obtain the Electrical Appliances Safety Certificate in accordance with the Enforcement Rule of the Electrical Appliances Safety Control Act
“LED”	light-emitting diode
“Li-ion battery”	lithium-ion battery which is one of the most popular types of rechargeable batteries for portable electronics, with high open-circuit voltage, small memory effect and only a slow loss of charge when not in use
“NiCD battery”	nickel cadmium battery which is a type of rechargeable battery using nickel oxide hydroxide and metallic cadmium as electrodes
“NiMH battery”	nickel metal hydride battery which is a type of rechargeable battery
“NOM”	electrical products, exported into Mexico must meet the Norma Oficial Mexicana (NOM) (Official Mexican Standard) requirements, which are prepared by the Mexican Government and obtain certification of NOM
“OEM”	original equipment manufacturer, whereby products are manufactured in accordance with the customer’s design and specifications and are marketed and sold under the customer’s brand name
“PCBA”	printed circuit board assembly which is the semi-finished product resulting from the process of soldering or assembly of electronic components to a printed circuit board. Surface-mount components are mounted to the printed circuit board
“power supply”	an electronic device that is used to supply electric energy to an electrical load, which is an electrical component or portion of a circuit that consumes electric power, by converting one form of electric energy to another.

---

## GLOSSARY OF TECHNICAL TERMS

---

“PSE”	compliance mark for electrical devices to be sold in Japan, indicating compliance with the Electrical Appliance and Material Safety Law of Japan
“QC”	Quality Control
“SAA”	SAA Approvals Pty Ltd is accredited by the Joint Accreditation Service of Australia and New Zealand (JAS-ANZ) as a third party certification body to issue of Certificates of Approval for declared and non-declared electrical equipment that has proven to comply with the safety requirements of the applicable Australian standards. Power supply or charger is within the Declared or Prescribed Electrical Equipment List. The Electrical Product Safety Approval Certification issued by SAA Approvals Pty Ltd allows the import and sale of electrical equipment, accessories and appliances in Australia
“SMT”	Surface-mount technology, which is a method for producing electronic circuits in which the components are mounted or placed directly onto the surface of printed circuit boards

---

## FORWARD-LOOKING STATEMENTS

---

Our Company has included in this prospectus forward-looking statements that are not historical facts, but relate to its intentions, beliefs, expectations or predictions for future event. These forward-looking statements are contained principally in the sections entitled “Summary”, “Risk Factors”, “Industry Overview”, “Business”, and “Financial Information”, which are, by their nature, subject to risks and uncertainties.

In some cases, our Company uses the words “aim”, “anticipate”, “believe”, “continue”, “could”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would” and similar expressions or statements to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and plans of operations;
- our capital expenditure and funding plans;
- projects under planning;
- general economic conditions;
- capital market development;
- the trends of industry and technology;
- certain statements in “Financial Information” with respect to trends in prices, volumes, operations;
- margins, overall market trends, risk management and exchange rates;
- the regulatory environment for the solenoid coils, EMS and LED industries in general; and
- other statements in this prospectus that are not historical fact.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond the control of our Company. In addition, these forward-looking statements reflect the current views of the Company with respect to future events and are not a guarantee of future performance.

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

---

## **FORWARD-LOOKING STATEMENTS**

---

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

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

---

## RISK FACTORS

---

*Potential investors should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks associated with an investment in our Company before making any investment decision regarding our Company. You should pay particular attention to the fact that our Company is incorporated in the BVI and our Group has operations conducted outside Hong Kong and is governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group.*

*This prospectus contains certain forward-looking statements relating to our Group's plans, objectives, expectations and intentions, which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below, as well as those discussed elsewhere in this prospectus. The trading price of our Shares could decline due to any of these risks and you may lose all or part of your investment.*

### RISKS RELATING TO OUR GROUP

**We depend on our major customers and any disruption or termination of our business relationships with our major customers or fluctuations in their demand for our products may have a material adverse effect on our business, results of operations, financial condition and prospects**

For the three years ended 30 September 2015 and the eight months ended 31 May 2016, revenue attributable to our top five customers together accounted for approximately 69.7%, 77.3%, 76.7% and 78.4% of our total revenue, respectively, while the largest customer accounted for approximately 29.9%, 36.6%, 37.8% and 31.1% of our total revenue, respectively.

There can be no assurance that we will be able to retain these customers or that they will maintain their business relationship with us. If there is a reduction or cessation of orders from these customers for whatever reasons and we are unable to obtain suitable orders of a comparable size and terms in substitution, our business, financial condition and results of operations may be materially and adversely affected. Moreover, any deterioration on their ability to purchase our products and/or to settle their trade receivables in a timely manner will have a material adverse effect on our results of operations.

In addition, we do not maintain long-term contracts with our customers obliging them to place orders with us that would secure future revenue for us. Instead, we sell our products based on individual purchase orders. If our customers decide not to purchase any of our products from us, change any of their products' suppliers or propose new terms of sales unacceptable to us, change their business models, change the raw materials used in their production or other industrial, political or environmental reasons or otherwise, our sales may decline if we are unable to find alternative customers in a timely manner. In such event, our business, financial condition, results of operations and growth prospects may be adversely affected.

---

## RISK FACTORS

---

### **Valid title certificates of certain properties in the Songgang Factory have not yet been obtained**

Our production operations at our Songgang Factory are carried out on properties which are either owned or leased from a third party. A certain portion of these properties have a title defect.

For our owned properties, there are three buildings without title certificates which are used for industrial workshops, warehouse and maintenance, with an aggregate gross floor area of approximately 2,922.54 sq.m., representing about 9.01% of the total gross floor area in the Songgang Factory. These three buildings were constructed on land where we have valid land use right. However, we may not be able to obtain the title certificates due to our failure to obtain the necessary construction permits before the three buildings were constructed. The total construction costs for the three building structures amounted to RMB488,424.

Pursuant to the Urban and Rural Planning Law of the PRC (中華人民共和國城鄉規劃法), if a construction project proceeds without obtaining the construction works planning permit or in violation of the requirements thereof, the relevant planning authorities have the right to order the construction entity to stop construction. If it is still possible for the construction entity to take measures to eliminate the impact on the implementation of the planning, the relevant planning authorities shall order the construction entity to rectify within a specified period and impose a fine ranging from 5% to 10% of the construction cost; if it is impossible to take measures to eliminate the impact, the relevant planning authorities shall order the construction entity to demolish the buildings within a specified period or confiscate the material objects or the illegal gain if the buildings are unable to be demolished, and may also impose a fine not more than 10% of the construction cost. As a result, the relevant planning authority may require us to demolish these three buildings within a specified period and impose on us a fine up to RMB48,842.4, calculated based on 10% of the construction costs.

We leased six buildings from an Independent Third Party (the “Landlord”), of which four buildings are used for workshops and warehousing, representing approximately 41.59% of the total gross floor area of the Songgang Factory, and two buildings are used for dormitories, representing approximately 19.43% of the total gross floor area of the Songgang Factory. The lease has been extended with expiry on 31 December 2017.

The Landlord failed to provide us with the valid title certificates for the leased buildings. As confirmed by the Landlord, all the leased buildings were brought into the historical unauthorised buildings for production and business purposes (歷史遺留生產經營性違法建築) (the “Historical Unauthorised Buildings”) in BaoAn district, Shenzhen, for the purpose of the ratification of their valid title.

According to the Decision of Handling the Historical Unauthorised Buildings (“Historical Unauthorised Buildings”) in the Process of Urbanisation in Shenzhen (深圳市人民代表大會常務委員會關於農村城市化歷史遺留違法建築的處理決定) (the “Rules of the Historical Unauthorised Buildings”), the buildings which were brought into Historical Unauthorised Buildings in Shenzhen will be generally handled in two ways: (i) for the Historical Unauthorised Buildings which have material safety problems or occupy the basic farmland, the water source protective area of the first rank, the public roads, greenbelt or other land for public benefit use, those Historical Unauthorised Buildings may be required to be demolished by the government; or (ii) for the Historical Unauthorised

---

## RISK FACTORS

---

Buildings which do not fall into (i), the government will ratify the valid title of the Historical Unauthorised Buildings after the owner pays the compensation in relation to the land where the Historical Unauthorised Buildings occupy. We visited the Songgang sub-district office of the Bao'an government of Shenzhen (深圳市寶安區松崗街道辦事處) ("Songgang Sub-district Office") in January 2016 and they confirmed that our leased buildings do not fall into the Historical Unauthorised Buildings referred to in (i), which will be required to be demolished by the government. Our PRC Legal Advisers advised that the Songgang Sub-district Office is responsible for the preliminary review on the ownership, location, and the current situation of the Historical Unauthorised Buildings located in Songgang, Bao'an district, Shenzhen, subject to further review by the Leadership Group Office in Handling the Historical Unauthorised Buildings in Bao'an, Shenzhen (深圳市寶安區查處違法建築和處理農村城市化歷史遺留問題領導小組辦公室) ("BaoAn Leadership Office") and Shenzhen Planning and Land Resources Commission (深圳市規劃與國土資源委員會).

We also visited the Shenzhen Planning and Land Resources Commission, BaoAn Bureau (深圳市規劃與國土資源委員會寶安管理局) ("BaoAn Planning Authority") and the BaoAn Leadership Office in January 2016. The BaoAn Planning Authority confirmed that the leased buildings are still in the process of governmental review and are yet to be ratified, and they are located in a zone for industrial purposes based on the current urban planning. The BaoAn Leadership Office indicated that they cannot assure when the valid titles of the leased buildings could be ratified and that the relevant authority is formulating new policies to better handle the Historical Unauthorised Buildings in Shenzhen. As advised by our PRC Legal Advisers, the BaoAn Planning Authority and the BaoAn Leadership Office are the competent authorities to make the above confirmation.

We also note that Shenzhen has carried out the urbanisation and the urban renewal in certain districts, including Bao'an district, in recent years. The buildings may be expropriated or demolished if the buildings are brought into the area for urban renewal or the construction of commonweal projects. We have checked the list of expropriation projects to be implemented in 2016 in Songgang of Bao'an district ("2016 Expropriation Projects") provided by the Songgang Sub-district Office, and our leased properties did not fall into 2016 Expropriation Projects. As advised by our PRC Legal Advisers, it generally takes two years to demolish or alter the buildings after the buildings are announced to be brought into the urban renewal or expropriation projects.

Based on the above, our PRC Legal Advisers advised that the chance of our leased properties being demolished or expropriated before the end of 2018 is remote.

If any of our owned properties with title defects are required to be demolished, or our lease is terminated due to the challenges from third parties, urban renewal or the construction of the commonweal project, or our lease is otherwise not renewed by our Landlord upon the expiration, we would need to seek alternative premises and incur relocation costs. Any relocation could disrupt our operations and adversely affect our business, financial condition and results of operations.

---

## RISK FACTORS

---

Although our Directors are of the view that the possibilities of the above incidents are remote, we have made the relocation plan to move our main production line in stages to minimise the adverse impact on our business operation. We estimate that the total relocation costs would be approximately RMB7.7 million to be incurred for relocation of plant and equipment and deposits payable for the new production plant and dormitory lease. For more information, please refer to the section headed “Business — Business strategies — plant and equipment relocation” in this prospectus.

**Exposure to relocation expenses, additional depreciation and rental expenses due to the relocation and set up costs of the planned joint venture with Customer A, may cause a deterioration in financial performance for the year ending 30 September 2017**

Should our relocation plan be implemented, our Group’s production facilities will be relocated, which will require the purchase of new machines as well as the carrying out of leasehold improvements in the new production plant. As the new production facility is designed to accommodate increased production capacity, such new machines and leasehold improvements will result in a significant increase in depreciation expenses until the machines and leasehold improvements are fully written down to nil net book value, which may in turn materially and adversely affect our business, financial condition and results of operations. Furthermore, relocation to the new production plant will also result in an increase in rental expenses, which may in turn materially and adversely affect our business, financial condition and results of operations.

Such increases in depreciation expenses and rental expenses together with the one-off relocation expenses and the initial set up cost of the planned joint venture with Customer A, which amongst others, may include factory rental, labour cost, company registration fees and related professional fees, may affect the Group’s financial performance for the year ending 30 September 2017. Therefore, prospective investors should note that the future financial performance of our Group may not be comparable to the financial performance of our Group in the past.

**We may be subject to additional tax liabilities, which could have adverse impacts on our financial condition**

Our income tax filing positions and consolidated income tax provisions and accruals are based on interpretations of applicable tax law, including income tax treaties between the various countries in which we operate, as well as underlying rules and regulations with respect to transfer pricing. Significant judgment and the use of estimates are required in determining our provisions for income taxes. Although we believe our tax estimates are reasonable and our transfer pricing policies comply with applicable laws and practices, the final determination of the relevant tax authorities could be materially different from our historical income tax provisions and accruals and we may face adverse tax consequences if any of the relevant tax authorities determine that our transfer pricing policies constitute unfavourable transfer pricing arrangements. This could have a material effect on our financial statements in the period or periods for which that determination is made.

Furthermore, the IRD is currently conducting a tax audit on one of our subsidiaries in Hong Kong, Pantene Industrial. Although we have provided the IRD with various information and supporting documents to address their enquiries, we have yet to obtain any formal opinion from them

---

## RISK FACTORS

---

as at the Latest Practicable Date. For further details, please refer to the section headed “Financial information — Taxation — Hong Kong taxes” in this prospectus. We may face adverse tax consequences if the IRD expresses a formal opinion that is unfavourable to us which could materially and adversely affect our financial statements in the period for which such opinion is expressed.

**Our Group failed to comply with a financial covenant contained in a subsidiary undertaking bank facility agreement.**

Our subsidiary, Pantene Industrial, has obtained banking facilities from its banker in Hong Kong, which are subject to financial covenants which require, amongst others, Pantene Industrial to maintain an adjusted consolidated tangible net worth of not less than US\$10 million during the term of the respective borrowing.

As at each of 30 September 2014 and 2015, the respective adjusted consolidated tangible net worth of Pantene Industrial was below US\$10 million and it could not therefore comply with the requisite financial indicator under the financial covenant stated above. The failure to comply with the financial covenant may entitle the lending bank to suspend, withdraw or make demand, in respect of the whole or any part of the facilities at any time. The lending bank has acknowledged that Pantene Industrial failed to comply with the aforementioned financial covenant during the years ended 30 September 2014 and 30 September 2015. In August 2016, our Group renewed the bank facility which contains the aforementioned financial covenant upon its maturity and as an on-going condition of the facilities contemplated thereunder, Pantene Industrial is required to comply with all the financial covenants set out therein in the coming year. As at the Latest Practicable Date, (a) the lending bank has not taken any action such as suspending, withdrawing or making demand for repayment of the whole or any part of the facilities nor impose any penalty fee; (b) the lending bank has granted Pantene Industrial a waiver of compliance with the financial covenant as at 30 September 2014 and 30 September 2015; and (c) the lending bank has removed the aforementioned covenant from the bank facility after 30 September 2015. Our Directors confirmed that the aforesaid breach of financial covenant had not triggered cross default in any of our Group’s other facilities as at the Latest Practicable Date.

Our lending bank may impose additional operating and financial restrictions on us and/or modify the terms of our existing facility agreements. These restrictions could limit our ability to, amongst others, pay dividends, make capital expenditures and/or incur additional indebtedness, including the issuance of guarantees. In addition, our lending banks may require payment of additional fees, prepayment of a portion of our indebtedness to them, accelerate the amortisation schedule for our indebtedness and increase the interest rates they charge us on our outstanding indebtedness.

As at the Latest Practicable Date, we had not breached any other existing financial covenant requirements. We cannot assure you that our subsidiaries will not breach any financial covenants under the respective loan/facilities agreements in the future or that lending banks will not accelerate the repayment obligations or enforce other remedies against us. Any of these incidents may materially and adversely affect our business, financial condition or results of operations. If we fail to renew the existing or obtain short-term bank borrowings due to failing to fulfill financial covenants in the future, our business, results of operations, liquidity and financial position may be materially and adversely affected.

---

## RISK FACTORS

---

### **An increase in the cost of labour may adversely affect our business, financial condition, results of operations and growth prospects**

Our business operates on a labour-intensive basis and, as at 31 May 2016, we had 838 employees. We believe our continued success is dependent on the ability to sustain cost effectiveness. Our direct labour costs accounted for 11.4%, 13.2%, 13.9% and 16.4% of our total cost of sales for the three years ended 30 September 2015 and the eight months ended 31 May 2016, respectively. The labour costs in the PRC have been gradually increasing in recent years and may continue to increase in the future. There is no guarantee that our labour cost will continue to be stable. If we fail to retain our existing labour and/or recruit sufficient labour in a timely manner, we may not be able to accommodate sudden increase in demand for our products or our relocation plans. If we are not able to manufacture and deliver our products on schedule or if we are unable to implement our relocation plans, our business, financial condition, results of operations and prospects would be materially adversely affected. Furthermore, if there is a significant increase in labour cost, the cost of our business operation would increase and our profitability would be adversely affected.

### **Fluctuations in raw material prices may affect our cost of sales and adversely affect our business operations and profitability**

The raw materials purchased by our Group mainly include copper wire, plastic resin, metal parts and electronic components. For each of the three years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, the cost of raw materials amounted to approximately HK\$192.0 million, HK\$195.1 million, HK\$189.9 million and HK\$93.9 million, respectively, representing approximately 71.5%, 71.5%, 73.2% and 67.6% of our total cost of sales, respectively. The prices of our raw materials generally follow their respective price trends in the market and vary with industry and macroeconomic conditions. Therefore, there is no assurance that we will be able to pass the increase in the costs of raw materials to our customers in a timely manner or at all to avoid adverse impacts on our profit margins. If we cannot pass the increase in the cost of raw materials to our customers in a timely manner or at all, our profitability, financial condition and results of operations may be materially and adversely affected.

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

Supplies of raw materials are subject to a variety of factors that are beyond our control, including interruptions in the supplier's business operations, market supply and demand, industry conditions and overall economic conditions. Additionally, the quality of raw materials is dependent on the supplier's production capabilities, production facilities and quality control systems.

Our ability to complete a customer's order on time is 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 they supply to us will not be defective or substandard. 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

---

## **RISK FACTORS**

---

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. This may also harm our reputation and our results of operations and financial condition may be materially and adversely affected.

**Any failure to maintain an effective quality control system could have a material adverse effect on our business, results of operations, financial condition and growth prospects**

An effective quality control system is crucial to our success and key factor to maintain our customers' loyalty and attract new customers. The effectiveness of our quality control system in turn depends on a number of factors, including the design of our quality control procedures, our quality control and training programmes and our ability to ensure that our employees adhere to our quality control policies and guidelines. We cannot assure you that our quality control system will be effective in maintaining our product quality, any significant failure or deterioration of our quality control systems could have a material adverse effect on our business, results of operations, financial condition and growth prospects.

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

Our revenue is dependent on the continued operation of our production facilities. Our production process is subject to operational risks beyond our control including, amongst others, fire, breakdown, failure or substandard performance of our equipment and machinery, power shortage, labour strikes, natural disasters and any interruption in our operations as a result of any failure to comply with all applicable laws, regulations and standards in the PRC. Frequent or prolonged occurrence of any of the aforesaid events may have a material adverse effect on our business, financial condition and results of operation. If there is any damage to our production facilities, we may not be able to remedy such situations in a timely and proper manner, and our production and hence our ability to manufacture our products in a timely manner could be materially and adversely affected. Any breakdown or malfunction of any of our equipment could cause a material disruption of our operations. Any such disruption in our operations could cause us to reduce or halt our operation, adversely affect our business reputation, increase our costs of production or require us to make unplanned capital expenditures, any one of which could materially and adversely affect our business, financial condition and results of operations.

**Our production capacity might not be able to meet with changing market conditions**

We cannot assure you that our production capacity will be able to meet our obligations in the future. Furthermore, we may not be able to expand our production capacity in response to the changing market conditions.

---

## **RISK FACTORS**

---

Due to the diversity of our products and the customer-specific nature of certain of our products, and given that there is no common production bottleneck and our production lines can be modified to accommodate the production of a wide variety of products, our Directors consider it difficult to estimate our production capacity and utilisation for all different products produced by us during the Track Record Period. Please refer to the section headed “Business — Production capacity and utilisation rate” in this prospectus.

**We rely on our key management to conduct our Group’s business and the inability to retain or attract senior management personnel will adversely affect our performance**

We believe that our experienced and capable management team, led by Mr. Lim and Mr. Ho, is a key to our growth and success. Mr. Lim, our executive Director and Chief Executive Officer, has over 30 years of experience in international management and he has been leading our business with his acute commercial vision which has contributed to our growth and development. Mr. Ho, our executive Director and Chief Operating Officer, has more than 35 years of experience in the related manufacturing industry. He oversees our operations and production to ensure that we maintain the highest standard of product quality and production efficiency. His experience also gives us a competitive edge in formulating successful strategies. Their continuous service is important to the future growth and success of our business. While each of them has entered into a service contract for up to three years commencing from the Listing Date, there is no assurance that we will be able to replace, retain, attract, and hire other qualified managerial personnel in the future. Should any of our senior management team and key personnel cease to serve our Group, there may be a disruption to our business which may adversely affect our performance.

**Fixed-price sales arrangement with our customers may adversely affect our business, financial condition and results of operations**

We agree on fixed prices for fixed durations with all our customers in order to lock the selling prices of our products such that 100% of our revenue arises from these fixed price sales, thereby substantially locking in the gross profit margin for that contract. However, we may not be able to pass on the cost increases to our customers or offset fully the effects of costs increases, which may cause our profitability to decline. For example, there is a potential time lag between when costs of our production increase and when we can implement a corresponding increase in price under our sales contracts with our customers. Any significant increase in the costs of our production which cannot be passed to our customers by way of a price increase could adversely affect our financial performance and hence our profitability.

**Consignment sales may affect our business operation and financial position**

During the Track Record Period, sales to four customers were made on consignment basis.

Since we depend on our customers in conducting the above businesses for consigned goods, our role may be relatively passive and we may not be able to control the outcome of the sales process (for instance, among other things, the expected timeframe for the drawdown of consigned inventory, and

---

## **RISK FACTORS**

---

payment times). For instance, if a customer fails to acquire sufficient end customer demand requiring inventory stored in their consignment warehouse to be drawdown, the customer will not be obliged to make payment until the inventory in the consignment warehouse has aged past the maximum agreed limit, which may range from approximately one to six months of being stored in the consignment warehouse without being drawdown. Additionally, if a customer with whom a consignment agreement exists, may fail or be unwilling to fulfil their obligations under the relevant agreements, or even dispute with us, then our businesses may not be able to proceed as contemplated or at all, our performance and financial position may thereby be materially and adversely affected.

### **There is no assurance that our future plans will be successfully implemented**

Our business strategies include: (i) streamline and modernise our production process and improve our production efficiency; (ii) anticipate sales growth of solenoid coils and further strengthen the relationship with our largest customer, Customer A, through forming a joint venture company; (iii) growing our business strategically through merger, acquisition and business collaboration; (iv) enhance our product development capabilities; and (v) engage in marketing activities to enhance our corporate recognition.

However, there are significant risks involved in our relocation plan, including whether we will be able to: (a) hire, train and retain sufficient qualified staff; (b) enhance our production efficiency; (c) generate sufficient revenue to cover our indebtedness, costs or contingencies associated with our expansion; and (d) re-evaluate and revise our relocation plan, as needed. 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.

### **We may face possible claims over our products which may be defective**

Our products may contain latent defects or flaws. Any flaws or defects discovered in our products after delivery could result in loss of revenue or delay in revenue recognition, damage to our reputation and our relationship with customers, loss of customers and increased service and warranty costs, any of which could adversely affect our business, operating results and financial condition. If our products fail to perform as expected, or prove to be defective, we may be subject to claims for compensation and may incur significant legal costs regardless of the outcome of any claim of alleged defect.

### **Our insurance coverage may be insufficient to cover for all the risks related to our operations**

Our operations are subject to various operational risks beyond our control that could result in material disruptions and adversely affect our results of operations, including:

- production interruptions caused by operational errors, electricity outages, raw material shortages, the failure of equipment and other production risks;

---

## RISK FACTORS

---

- operating limitations imposed by environmental or other regulatory requirements;
- social, political and labour unrest;
- environmental or industrial accidents; and
- catastrophic events such as wars, riots, power outage, public disorder, civil commotions, fires, earthquakes, floods and other natural calamities, epidemics, terrorism, whether locally or nationwide, or incidents such as industrial accidents, strikes or other labour disputes and disruptions of public infrastructure, such as roads, ports or utilities

We cannot assure you that casualties or accidents will not occur or that our insurance coverage would be sufficient to cover all our potential losses associated with major accidents. For further details on the insurance policies we maintain, please refer to the paragraph headed “Insurance” in the section headed “Business” in this prospectus. In the event that our insurance policies cannot sufficiently compensate for our losses sustained as a result of damage to items covered or howsoever incurred, we would have to pay for the difference ourselves and our cash flow and liquidity could be adversely affected.

### **We cannot assure you that we will pay dividends in the future**

Our Directors may declare dividends after taking into account, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on HKFRS, the Memorandum and Articles of Association, the Companies Act, applicable laws and regulations and other factors, that our Directors deem relevant. During the three years ended 30 September 2015 and the eight months ended 31 May 2016, we have declared dividends of HK\$7,500,000, HK\$20,000,000, HK\$67,094,000 and HK\$50,000,000, respectively. For further details of our dividend policy, please refer to the section headed “Financial information — Dividend” in this prospectus. Potential investors should note that dividend payments in the past should not be regarded as an indication of future dividend policy. There can be no assurance that we will declare dividends in the future.

### **RISKS RELATING TO THE INDUSTRY**

**We are highly dependent on the success of our downstream industries and our business is highly correlated with the performance of our customers’ industries. and the demand of our products from our customers could be volatile which may have a material adverse effect on our business, results of operations, financial condition and prospects**

All of our products have end-use applications in our downstream industries. Accordingly, our results of operations and financial performance are dependent upon the prospects of our downstream industries.

---

## **RISK FACTORS**

---

Furthermore, our business is highly correlated with the performance of our customers' industries and the demand of our products from our customers could be volatile. Our customers' demand for our products may decrease drastically and suddenly when the demand for our customers' products decreases or ceases for any reason. In the event that the growth of our downstream industries is not sustained, or that we are not able to take effective measures to respond timely to technological developments and evolving industry standards in our downstream industries, our business, results of operations, financial condition and prospects may be materially and adversely affected.

### **We operate in a highly competitive industry and failure to compete efficiently could materially and adversely affect our business**

We operate in a highly competitive industry. Our competitors include domestic and international manufacturers. We expect that competition in the EMS industry will continue to be intense. Some of these competitors may have stronger brand names, greater access to capital, longer operating histories, longer or more established relationships with their customers, and greater marketing and other resources than we do. Furthermore, some of these competitors may be able to adapt to changes in the industry more quickly than we can by adopting more aggressive pricing policies or by developing technology and services that gain wider market acceptance. Due to the evolving markets in which we compete, additional competitors with significant market presence and financial resources may enter those markets, and thereby intensify the competition. Increased competition from existing and potential competitors could result in material price reductions in the products we sell or a decrease in our market share. In such event, if we fail to maintain or improve our market position or fail to respond successfully to changes in the competitive landscape, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

### **Our business is affected by changes in the economic, legal, political and social conditions in the PRC and Hong Kong and other jurisdictions in which we conduct our business**

Our assets, business and operations are primarily based in the PRC and Hong Kong and our Group has derived the majority of our revenue in the U.S., Europe, the PRC and Hong Kong during the Track Record Period. Accordingly, our business, financial condition, results of operations and prospects are affected by government policies, as well as economic, social, political and legal developments in the above regions. The economies in the above regions are also affected by many other unpredictable factors such as economic, social, legal and political development, fluctuations in global interest rates, and changes in local and international economic and political situations. There is no assurance that any changes of the existing government policies, economic, social, political conditions and the business environment in the above regions in the future will have a positive effect on our business operations.

### **Global or regional economic conditions could adversely affect our industry**

External factors such as financial crisis, economic recessions or political and social turmoil in those parts of the world where we have business relations could adversely affect our business, operating results, financial condition, and prospects in ways which we cannot predict. For example,

---

## RISK FACTORS

---

the announcement of the outcome of the referendum on 23 June 2016 with regard to the UK's withdrawal from the European Union and the prospect of an eventual Brexit may create business and financial uncertainty, and there can be no assurance as to the effect that the outcome of the referendum and an eventual Brexit may have on the general economic, financial and political conditions in the UK, Europe or globally, nor the impact such conditions may have on factors that affect our business, results of operation and financial condition. As such, the demand for our products may decrease if the level of consumption in the markets where our products are sold is affected by such changing market conditions and hence our business, operating results and financial conditions may be adversely affected.

### **RISKS RELATING TO CONDUCTING OUR OPERATIONS IN THE PRC**

#### **We are subject to the political, economic and social developments as well as laws, rules, regulations and licensing requirements in the PRC**

We operate production facilities in the PRC and our revenue is also generated from the product manufactured in the PRC, and as a result, our business, financial condition and results of operations are, to a significant degree, subject to the economic, political, social and regulatory environment in the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including, among others, the extent of government involvement, level of development, growth rate, and control of foreign exchange and the allocation of resources. The PRC economy has been undergoing a transition from a planned economy to a market-oriented economy. The PRC government has in recent years implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government still retains significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency denominated liabilities, setting monetary policy and providing preferential treatment to particular industries or enterprises.

Our performance has been and will continue to be affected by the PRC economy, which has slowed down in recent years. China's economic growth, as measured by gross domestic product, has decreased from 7.7% in 2012 to 6.9% in 2015. The PRC's economic growth is also influenced by the global economy. The global financial crisis in 2008, the sovereign debt crisis in Europe as well as the Greek debt crisis have collectively added downward pressure to the PRC's economic growth.

Any unfavorable political, economic or social development in the PRC, or an unfavorable change in the PRC's laws, regulations, rules and licensing requirements, may materially and adversely affect our business, financial condition and results of operations. We are unable to accurately predict the precise nature of all the risks and uncertainties that we face as current economic, political, social and regulatory conditions and many of the associated risks are beyond our control.

---

## RISK FACTORS

---

### **Uncertainties with respect to the PRC legal system could have a material adverse effect on us**

While we are incorporated in the BVI, a substantial majority of our business and operations are conducted in the PRC and governed principally by the PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. The PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, finance, foreign exchange and trade with a view to develop a comprehensive system of commercial law.

However, the PRC has not developed a fully-integrated legal system. The recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC, or may be unclear or inconsistent. Because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of PRC laws and regulations involve uncertainties and can be inconsistent.

Even where adequate laws exist in the PRC, the enforcement of existing laws or contracts may be uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement of a judgment by a court. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. In addition, any litigation in the PRC may be protracted and result in substantial costs and the diversion of resources and management's attention. In addition, we cannot predict future developments in the PRC legal system or the effects of such developments. The materialisation of all or any of these uncertainties could have a material adverse effect on our financial position and results of operations.

### **The payment of dividends by our operating subsidiary in the PRC is subject to restrictions under PRC law**

We operate our core business mainly through our operating subsidiary in the PRC. The PRC laws require that dividends be paid only out of net profit, calculated according to the PRC accounting principles, which differ from the generally accepted accounting principles in other jurisdictions. The PRC law requires the PRC companies, including the foreign-invested enterprises, to set aside 10% of their net profit as statutory reserves until the accumulated statutory reserves account for 50% of the registered capital of the PRC companies. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund our operations and to service our indebtedness depends upon dividends received from our PRC subsidiary, any restrictions on the availability and usage of our major source of funding may impact our ability to fund our operations and to service our indebtedness.

---

## RISK FACTORS

---

**Governmental control of currency conversion may limit our ability to utilise our cash effectively, which may adversely affect the value of your investment**

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of foreign currency out of the PRC. We receive a significant amount of our revenue in US dollars and pay a significant amount of our costs in Renminbi, which is currently not a freely convertible currency.

As a BVI holding company, we may rely on dividend payments from our PRC subsidiary to fund any cash and financing requirements we may have. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends, or otherwise satisfy foreign currency denominated obligations.

**PRC regulation may limit our ability to finance our PRC subsidiary effectively with the net proceeds from the Share Offer, which may adversely affect the value of your investment**

Offering through overseas shareholder loans or additional capital contributions require registration with, or approvals from, PRC government authorities. Any overseas shareholder loans to our PRC subsidiary must be registered with the local branch of the SAFE or its designated banks as a procedural matter, and such loans cannot exceed the difference between the amount of total investment of our PRC subsidiary and its registered capital. In addition, the amounts of the capital contributions are subject to the approval of the Ministry of Commerce in China or its local counterpart.

We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to making future borrowings or capital contributions to our PRC subsidiary with the net proceeds from the Share Offer. If we fail to complete such registrations or obtain such approvals, our ability to contribute additional capital to fund our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

**Dividends from our PRC subsidiary paid to our Hong Kong subsidiary might not qualify for the reduced PRC withholding tax rate under the special arrangement between Hong Kong and the PRC**

Under the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) (“EIT Law”) and its implementing rules, if the foreign shareholder is not deemed a PRC tax resident enterprise under the EIT Law, dividend payments from PRC subsidiary to their foreign shareholders, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with China and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement. Pursuant to a special arrangement between Hong Kong and the PRC, the withholding tax rate is lowered to 5% if a Hong Kong resident enterprise is the beneficial owner of more than 25% of a PRC company distributing the dividends. According to the Announcement on the Administrative Measures for Non-resident

---

## RISK FACTORS

---

Taxpayers to Enjoy the Treatment Under Tax Treaties (非居民納稅人享受稅收協定待遇管理辦法), or the 2015 Administration Measures, which was promulgated by the State Administration of Taxation on 27 August 2015 and became effective on 1 November 2015, prior approval from or filings with the PRC competent tax authority is no longer required before a non-resident taxpayer can enjoy the preferential tax treatment under the relevant treaties. A non-resident taxpayer may enjoy the preferential tax treatment at the time of tax return filings or withholding and declaration through a withholding agent if it is eligible for the preferential tax treatment under the relevant provisions of a tax treaty, subject to the follow-up administration by the relevant tax authority. In order to enjoy the preferential tax treatment, the non-resident taxpayer shall file documents as required by the 2015 Administration Measures with the PRC competent tax authority when filing tax returns or withholding and declaration through a withholding agent, among which the proof of the identity of the tax resident issued by the tax authority of the counter party to the treaty is required. During the follow-up administration, the PRC competent tax authorities shall verify if the non-resident taxpayer is eligible for the preferential tax treatment and may ask for supplemental documents from the non-resident taxpayer. If the PRC competent tax authority finds out that the non-resident taxpayer, who enjoyed the preferential tax treatment, is not eligible for such treatment under the relevant laws, the PRC competent tax authority shall require such non-resident taxpayer to pay up the overdue taxes before a specified deadline. Moreover, according to the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知) issued by the State Administration of Taxation on 20 February 2009, if the main purpose of an offshore arrangement is to obtain preferential tax treatment, the PRC tax authorities may at its discretion adjust the preferential tax rate for which an offshore entity would otherwise be eligible. There is no assurance that the PRC tax authorities will recognise and accept the 5% withholding tax rate on dividends paid by our PRC subsidiary and received by our Hong Kong subsidiary.

**Our results of operations and financial condition are affected by the occurrence of epidemics and natural disasters as well as political instability**

Our business can be affected by major natural disasters, or widespread outbreaks of infectious diseases in China and other parts of the world. Past occurrences of epidemics, depending on their scale of occurrence, have caused different degrees of damage to the national and local economies to various countries and regions. For example, in 2012, Middle East Respiratory Syndrome, or MERS, a highly contagious form of atypical pneumonia, spread in the Middle East and South Korea and in 2014, Ebola virus has caused thousands of casualties in African countries. More recently, since early 2016, there has been a widespread outbreak of Zika fever, caused by the Zika virus, which is ongoing in the U.S. and the Pacific Islands. Recurrence of SARS, influenza A (H1N1) or avian flu (H5N1) in China or any other parts of the world as well as the continuing spread of Ebola, MERS and Zika virus may cause disruption of regional or national economic activity, which can affect consumer activities in the affected areas and, therefore, reduce demands for our products. Such events may also result in limitations on our ability to travel, delayed transportation and delivery of our products, disruption of raw material supplies, as well as temporary closure of our manufacturing facilities for quarantine or for preventive purposes, which in turn may materially and adversely affect our business, financial

---

## RISK FACTORS

---

condition and results of operations. Any natural disasters, political unrest, war, acts of terrorism and other instability in the PRC or other parts of the world could also result in disruption to our business or the businesses of our customers.

### **Material fluctuations in foreign exchange rates may adversely affect our business and performance**

Our sales are predominantly denominated in USD. However, majority of our purchases, expenses and payments are denominated in RMB and therefore, we are subject to currency risks. The exchange rates of different currencies are subject to fluctuations affected by international political and economic conditions and changes in the PRC government's economic and monetary policies. The possible PRC government's control of the RMB could lead to the RMB fluctuating against the USD, these fluctuations may result in exchange losses or gains and may have an adverse effect on our business operations and financial performance.

### **RISKS RELATING TO THE SHARES AND THE SHARE OFFER**

#### **There has been no prior public market for our Shares, and the liquidity, market price and trading volume of our Shares may be volatile**

Prior to the Share Offer, no public market for our Shares existed. We cannot assure you that a liquid public market for our Shares will develop or be sustained after the Share Offer. In addition, the Offer Price of our Shares is expected to be fixed by the Price Determination Agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder) and may not be indicative of the market price of our Shares following completion of the Share Offer. If an active public market for our Shares does not develop after the Share Offer, the market price and liquidity of our Shares may be materially and adversely affected.

#### **Investors may experience difficulties in enforcing their shareholder rights as our Company is incorporated in the BVI, and BVI laws for protection of minority shareholders may be different from those under the laws of Hong Kong and other jurisdictions**

Our corporate affairs are governed by, amongst other things, the Memorandum and Articles of Association, the Companies Act and common laws of the BVI. The laws of the BVI relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. The remedies available to the minority Shareholders may be different compared to the laws of Hong Kong or other jurisdictions. For further details, please see the section headed "Summary of the constitution of our Company and the British Virgin Islands company law" in Appendix V to this prospectus.

---

## RISK FACTORS

---

### **Investors will experience dilution in the pro forma net tangible book value per Share because the Offer Price is higher than our net tangible book value per Share**

As the Offer Price is higher than the net tangible book value per Share of our Shares immediately prior to the Share Offer, purchasers of our Shares in the Share Offer will experience an immediate dilution in pro forma consolidated net tangible book value which will be about HK\$0.32 per Share (assuming an Offer Price of HK\$1.44 per Share) or about HK\$0.39 per Share (assuming an Offer Price of HK\$1.80 per Share). If we issue additional Shares in the future, purchasers of our Shares in the Share Offer may experience further dilution in their ownership percentage.

### **Investors may experience dilution if we issue additional Shares in the future**

We may need to raise additional funds in the future to finance expansion of or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the ownership percentage of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Shares.

### **The trading volume and market price of our Shares following the Listing may be volatile**

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenue, earnings and cash flow, changes in our pricing policy as a result of the presence of competitors, announcements of new products, strategic alliances or acquisitions, industrial or environmental accidents, changes in our senior management personnel, litigation regarding our products could cause large and sudden changes in the volume and price at which our Shares will trade. In addition, the Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our Shares.

### **Prospective investors should read the entire prospectus carefully and are strongly cautioned against placing any reliance on the information in any press articles or other media coverage which contains information not being disclosed or which is inconsistent with the information included in this prospectus**

You should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in press articles, other media and/or research analyst reports regarding us, our business, our industry and the Share Offer. There may have been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to completion of the Share Offer, press and media coverage regarding us and the Share Offer. You should rely solely upon the information contained in this prospectus and any formal announcements made by us in Hong Kong in making your investment decision regarding the Share Offer. We do not accept any responsibility for the accuracy or completeness of any information reported by the press, other media and/or research

---

## RISK FACTORS

---

analyst reports, nor the fairness or appropriateness of the aforesaid materials regarding us, our business, our industry and the Share Offer. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. We disclaim any potential liabilities arising out of any inconsistency between such information or publication and the information contained in this prospectus. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether they should invest in the Share Offer.

**Certain industry statistics related to China are derived from various publicly available government or official sources and may not be accurate or reliable**

This prospectus contains information and statistics, including but not limited to information and statistics relating to the EMS industry in the PRC. Whilst our Directors and the Sole Sponsor have taken reasonable care in reproducing such information in this prospectus, none of the information or statistics derived from the official government publications has been independently verified by our Group or any of our Group's affiliates or advisers, or by the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any other party involved in the Share Offer, or their respective affiliates or advisers and no representation is given as to its accuracy. Our Company cannot ensure the accuracy of such information and statistics and such information and statistics may not be consistent with other information publicly available or available from other sources. However, we have no reason to believe that such information and data is false or misleading in any material respect or that any fact has been omitted that would render such information and data false or misleading in any material respect. Prospective investors should not place undue reliance on any of such information and statistics contained in this prospectus.

---

## **WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

---

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

### **FINANCIAL STATEMENTS IN THIS PROSPECTUS**

According to Rule 4.04(1) of the Listing Rules, we are required to include in this prospectus, an accountants' report covering the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of this prospectus.

Similarly, section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance stipulates that we should state the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and set out the reports specified in Part II of that Schedule in this prospectus. Under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, we are required to include in this prospectus: (i) a statement as to the gross trading income or sales turnover (as may be appropriate) of our Group; and (ii) a report by our auditors with respect to the profits and losses and assets and liabilities of our Group in respect of each of the three financial years immediately preceding the issue of this prospectus.

The Accountant's Report set forth in Appendix I to this prospectus contains the audited consolidated results of our Group for each of the three financial years ended 30 September 2015 and the eight months ended 31 May 2016, and is in compliance with the requirements under Rule 8.06 of the Listing Rules. However, strict compliance with Rule 4.04(1) of the Listing Rules and paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would be unduly burdensome for us as there would not be sufficient time for the Reporting Accountant of our Company to complete and finalise the audit of the consolidated financial statements of our Group for the full financial year ended 30 September 2016 for inclusion in this prospectus.

Accordingly, an application has been made to the SFC for an exemption, and the SFC has issued a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the requirements of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance subject to the following conditions:

- (a) this prospectus shall be issued on or before 30 November 2016; and
- (b) the particulars of the exemption be set out in this prospectus.

The Directors and the Sole Sponsor confirmed that all information that is necessary for the public to make an informed assessment of the business, management, assets and liabilities, financial position

---

**WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION  
FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

---

and profitability of the Group has been included in the prospectus. As such, the exemption granted by the SFC from strict compliance with section 342(1) of the Ordinance in respect of the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Ordinance will not prejudice the interests of the investing public.

An application has also been made to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 4.04(1) of the Listing Rules subject to the following additional conditions:

- (a) this prospectus shall be issued on or before 30 November 2016 and our Shares shall be listed on the Stock Exchange on or before 31 December 2016;
- (b) we obtain a certificate of exemption from the SFC from strict compliance with similar requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (c) a profit estimate for the financial year ended 30 September 2016 in compliance with Rules 11.17 to 11.19 of the Listing Rules shall be included in this prospectus; and
- (d) a Directors' statement that there is no material adverse change to our financial and trading positions or prospects of our Group with specific reference to the trading results from 1 June 2016 to 30 September 2016 shall be included in this prospectus.

The Directors and the Sole Sponsor confirmed that all information that is necessary for the public to make an informed assessment of the business, management, assets and liabilities, financial position and profitability of the Group has been included in the prospectus. As such, the waiver granted by the Stock Exchange from strict compliance with Rule 4.04(1) of the Listing Rules will not prejudice the interests of the investing public.

Our Directors have confirmed that the exemption and the waiver as mentioned above would not prejudice the interests of the investing public based on the following reasons:

- (a) after performing all due diligence work, there has been no material adverse change in the financial and trading positions or prospects of our Group since 1 June 2016 and up to the date of this prospectus; and
- (b) there is no event which would materially affect the information as contained in the Accountant's Report as set out in Appendix I to this prospectus, the profit estimate as set out in Appendix III to this prospectus, the section headed "Financial information" in this prospectus and other parts of this prospectus.

---

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

---

### **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 (Chapter 622 of the Laws of Hong Kong), the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), the Securities and Future (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, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

### **INFORMATION ON THE SHARE OFFER**

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Share Offer. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as of any subsequent time.

Details of the structure of the Share Offer, including its conditions, are set out in the section “Structure of the Share Offer” in this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed “How to apply for public offer shares and employee reserved shares” in this prospectus and on the relevant Application Forms.

### **UNDERWRITING**

This prospectus is published solely in connection with the Public Offer, which forms part of the Share Offer. For applicants in the Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Public Offer.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters pursuant to the Public Offer Underwriting Agreement. The Placing Underwriting Agreement relating to the Placing is expected to be entered into on or around the Price Determination Date, subject to, among others, agreement on pricing of the Offer Shares between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholder). The Share Offer is managed by the Sole Global Coordinator.

---

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

---

If, for any reason, the Offer Price is not agreed, the Share Offer will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please refer to the section headed “Underwriting” in this prospectus.

### **RESTRICTIONS ON OFFER AND SALE OF SHARES**

Each person acquiring the Public Offer Shares and/or the Employee Reserved Shares under the Public Offer will be required to confirm, and is deemed by his acquisition of Public Offer Shares and/or the Employee Preferential Offering to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit an offering of the Public Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The 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 securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in China or the United States.

### **ELIGIBILITY FOR CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

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

All necessary arrangements have been made to enable 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.

---

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

---

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

Our Company has applied to the Listing Committee of the Stock Exchange 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 the options granted pursuant to the Share Option Scheme).

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

### **SHARE REGISTRAR AND THE STAMP DUTY**

All Shares issued by us pursuant to applications made in the Public Offer will be registered on our branch register of members to be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Our principal register of members will be maintained by our principal share registrar, Maples Fund Services (Cayman) Limited, in the BVI.

Dealings in the Shares registered on our Hong Kong share register will be subject to Hong Kong stamp duty.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

### **PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES**

The application procedures for the Public Offer Shares and the Employee Reserved Shares are set out in the section headed "How to apply public offer shares and employee reserved shares" in this prospectus and on the relevant Application Forms.

---

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

---

### **STRUCTURE OF THE SHARE OFFER**

Details of the structure of the Share Offer, including their respective conditions, are set out in the section headed “Structure of the Share Offer” in this prospectus.

### **EXCHANGE RATE CONVERSION**

Solely for your convenience, this prospectus contains translations of certain US\$ amounts into Hong Kong dollars at specified rates. You should not construe these translations as representations that the US\$ amounts could actually be, or have been, converted into Hong Kong dollar amounts at the rates indicated or at all. Unless we indicate otherwise, the translations of US\$ amounts into Hong Kong dollars have been made at the rate of US\$1.00 to HK\$7.80.

### **ROUNDING**

Certain amount and percentage figure 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.

---

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

---

### DIRECTORS

Name	Residential Address	Nationality
<b>Executive Directors</b>		
Mr. Henry Woon-hoe Lim	Flat C, 23/F, Fairlane Tower 2B Bowen Road Hong Kong	American
Mr. Ho Hon Ching (何漢清)	B, 5/F, Block 1 Scenic View Garden 63 Fung Shing Street Ngau Chi Wan Kowloon	Chinese
<b>Non-executive Director</b>		
Mr. Hsu Simon Nai-cheng (徐乃成)	2B Belgravia Heights 27 Tai Tam Road Hong Kong	Chinese
<b>Independent non-executive Directors</b>		
Mr. Pochin Christopher Lu	No. 30 Lane 666 Shebei Highway Shanghai PRC	American
Mr. Danny J Lay	No. 75-20, section 4 Zhong Xiao East Road Taipei Taiwan	American
Ms. Hui Leung Ching Patricia (許亮清)	Flat C, 10/F, Block A Mountain Court 5 Homantin Hill Road Ho Man Tin Kowloon	Chinese

Further information is disclosed in the section headed “Directors, senior management and employees” in this prospectus.

---

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

---

### PARTIES INVOLVED IN THE SHARE OFFER

#### Sole Sponsor

##### **Octal Capital Limited**

*a licensed corporation under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activity as defined under the SFO*

802-805, 8th Floor  
Nan Fung Tower  
88 Connaught Road Central  
Hong Kong

#### Sole Global Coordinator

##### **Quam Securities Company Limited**

*(a corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO)*

18/F-19/F, China Building  
29 Queen's Road Central  
Hong Kong

#### Joint Bookrunners

##### **Octal Capital Limited**

802-805, 8th Floor  
Nan Fung Tower  
88 Connaught Road Central  
Hong Kong

##### **Quam Securities Company Limited**

18/F-19/F, China Building  
29 Queen's Road Central  
Hong Kong

##### **Koala Securities Limited**

Room 803, 8/F  
Hong Kong Chinese Bank Building  
61 Des Voeux Road Central  
Hong Kong

#### Joint Lead Managers

##### **Octal Capital Limited**

802-805, 8th Floor  
Nan Fung Tower  
88 Connaught Road Central  
Hong Kong

---

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

---

**Quam Securities Company Limited**

18/F-19/F, China Building  
29 Queen's Road Central  
Hong Kong

**Koala Securities Limited**

Room 803, 8/F  
Hong Kong Chinese Bank Building  
61 Des Voeux Road Central  
Hong Kong

**Futu Securities International (Hong Kong) Limited**

11/F, Bangkok Bank Building  
14-20 Bonham Strand West  
Sheung Wan, Hong Kong

**Co-Lead Managers**

**Ample Orient Capital Limited**

Unit 902, Far East Consortium Building  
121 Des Voeux Road Central  
Hong Kong

**Brilliant Norton Securities Company Limited**

Suite 804, 8/F  
Jubilee Centre  
46 Gloucester Road  
Wan Chai,  
Hong Kong

**China Investment Securities International  
Brokerage Limited**

63/F, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

**Frontpage Capital Limited**

26/F, Siu On Centre  
188 Lockhart Road  
Wanchai  
Hong Kong

---

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

---

**Opus Capital Limited**

18/F, Fung House,  
19-20 Connaught Road Central  
Central  
Hong Kong

**SBI China Capital Financial Services Limited**

Unit A2, 32/F, United Centre,  
95 Queensway  
Hong Kong

**Sinomax Securities Limited**

Unit 1601, Far East Finance Centre  
16 Harcourt Road  
Admiralty  
Hong Kong

**Sun International Securities Limited**

Unit 2412-13, 24/F  
China Merchants Tower, Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

**Legal advisers to our Company**

As to Hong Kong law:

**King & Wood Mallesons**

13/F, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

As to PRC law:

**King & Wood Mallesons**

28th Floor, Landmark  
4028 Jintian Road  
Futian District  
Shenzhen, China

As to BVI law:

**Maples and Calder**

53rd Floor, The Center  
99 Queen's Road Central  
Hong Kong

---

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

---

As to U.S. law:

**CKR Law LLP**

1330 Avenue of the Americas

New York, New York 10019

USA

As to Philippines law:

**Fortun Narvasa & Salazar**

23rd Floor, Multinational Bancorporation Centre,

6805 Ayala Avenue,

Makati City 1226

Philippines

As to Hong Kong law in respect of compliance with the Companies Ordinance and Predecessor Companies Ordinance:

**Mr. David Fong**

Harcourt Chambers

Unit 3403 Bank of America Tower

12 Harcourt Road, Central

Hong Kong

(Barrister-at-law)

**Tax Adviser**

**BDO Tax Limited**

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

**Legal advisers to the Sole Sponsor  
and the Underwriters**

As to Hong Kong law:

**Iu, Lai & Li**

*Solicitors, Hong Kong*

Rooms 2201, 2201A & 2202

22nd Floor

Tower 1, Admiralty Centre

18 Harcourt Road

Hong Kong

As to PRC law:

**GFE Law Office**

18th Floor

Guangdong Holdings Tower

No. 555 Dongfeng East Road

Guangzhou

The PRC

---

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

---

<b>Auditor and reporting accountant</b>	<b>BDO Limited</b> <i>Certified Public Accountant</i> 25th Floor Wing On Centre 111 Connaught Road Central Hong Kong
<b>Industry Consultant</b>	<b>Euromonitor International Limited</b> 60-61 Britton Street, London EC1M 5UX, United Kingdom
<b>Compliance adviser</b>	<b>Octal Capital Limited</b> <i>a licensed corporation under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activity as defined under the SFO</i> 802-805, 8th Floor Nan Fung Tower 88 Connaught Road Central Hong Kong
<b>Receiving bank</b>	<b>Bank of Communications Co., Ltd. Hong Kong Branch</b> 20 Pedder Street Central Hong Kong
<b>Selling Shareholder</b>	<b>New Wave Capital Limited</b> 263 Main Street P.O. Box 2196, Road Town, Tortola, British Virgin Islands

---

## CORPORATE INFORMATION

---

<b>Registered office</b>	3rd Floor, J&C Building PO Box 362 Road Town, Tortola BVI VG 1110
<b>Head office and principal place of business in Hong Kong</b>	Flat/RM 1603A, 16/F, Tower 2, Nina Tower 8 Yeung Uk Road, Tsuen Wan Hong Kong
<b>Company's website address</b>	<a href="http://www.pantronicshk.com">www.pantronicshk.com</a> (information contained in this website does not form part of this prospectus)
<b>Company secretary</b>	Mr. Som Wai Tong Ivan (HKICPA) Flat/RM 1603A, 16/F, Tower 2, Nina Tower 8 Yeung Uk Road Tsuen Wan Hong Kong
<b>Audit committee</b>	Mr. Pochin Christopher Lu ( <i>Chairman</i> ) Mr. Danny J Lay Ms. Hui Leung Ching Patricia (許亮清)
<b>Remuneration committee</b>	Mr. Danny J Lay ( <i>Chairman</i> ) Mr. Pochin Christopher Lu Mr. Hsu Simon Nai-cheng (徐乃成)
<b>Nomination committee</b>	Ms. Hui Leung Ching Patricia (許亮清) ( <i>Chairman</i> ) Mr. Danny J Lay Mr. Hsu Simon Nai-cheng (徐乃成)
<b>Authorised representatives</b>	Mr. Hsu Simon Nai-cheng (徐乃成) 2B Belgravia Heights 27 Tai Tam Road Hong Kong  Mr. Henry Woon-hoe Lim Flat C, 23/F, Fairlane Tower 2B Bowen Road Hong Kong

---

## CORPORATE INFORMATION

---

<b>BVI principal share registrar and transfer office</b>	<b>Maples Fund Services (Cayman) Limited</b> PO Box 1093, Boundary Hall Cricket Square Grand Cayman KY1-1102 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	<b>Tricor Investor Services Limited</b> Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal banker</b>	<b>HSBC</b> 1 Queen's Road Central Hong Kong

---

## INDUSTRY OVERVIEW

---

*This section contains certain information, statistics and data which is derived from various official government or publicly available sources and from the market research report prepared by Euromonitor which was commissioned by us. The market research report prepared by Euromonitor reflects estimates of market conditions based on publicly available sources and trade opinion surveys, and is prepared primarily as a market research tool. References to Euromonitor should not be considered as the opinion of Euromonitor as to the value of any security or the advisability of investing in our Group. We believe that the sources of such information are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, our Controlling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters or any other party involved in the Listing or their respective directors, officers, employees, advisers, agents and no representation is given as to the accuracy or completeness of such information. Accordingly, such information should not be unduly relied upon.*

### SOURCE OF INFORMATION

In connection with the Share Offer, in October 2015, our Group has commissioned a research report from Euromonitor, an Independent Third Party, a global research organisation and provider of international market intelligence on consumer products, services and lifestyles to produce a report on the EMS industry in China, for a preparation fee of US\$130,500 (equivalent to approximately HK\$1,017,900). Figures and statistics provided in this prospectus and attributed to Euromonitor have been extracted from the Euromonitor Report and published with the consent of Euromonitor.

For the market data disclosed in this prospectus, Euromonitor: (i) undertook secondary research, which involved reviewing published sources including national statistics and official sources such as National Bureau of Statistics of China, Eurostat, and United States Department of Labor etc., company reports including audited financial statements where available, etc; and (ii) conducted primary research which involved interviews with a sample of leading industry participants and industry experts for latest data and insights on future trends and to verify and cross check the consistency of data and research estimates.

The bases and assumptions for the projections in the Euromonitor Report include the following:

- The Chinese economy is expected to maintain a steady growth over the forecast period;
- The Chinese social, economic, and political environment is expected to remain stable in the forecast period;
- There will be no external shock, such as financial crisis or raw material shortage that affects the demand and supply of EMS in China during the forecast period; and
- Key market drivers such as increase in per capita disposable income, rapid urbanisation, development of China electronic products market are expected to boost the development of the EMS market.

---

## INDUSTRY OVERVIEW

---

The research results may be affected by the accuracy of these assumptions and the choice of these parameters. The market research was completed in December 2015 and then was subsequently updated in October 2016 and all statistics in the Euromonitor Report are based on information available at the time of reporting. Euromonitor's estimated data comes from analysis of historical development of the market, the economic environment and underlying market drivers, and is cross-checked against established industry data and trade interviews with industry experts.

### DIRECTORS' CONFIRMATION

Our Directors confirm that, after taking reasonable care, there is no material adverse change in the market information since the date of the Euromonitor Report which may qualify, contradict or have an impact on the information in this section.

### OVERVIEW OF THE GLOBAL ECONOMY

#### *The PRC economy*

China's GDP per capita has grown robustly from 2011 to 2015, with a CAGR of 8.2% to reach RMB49,351.0 in 2015.

	2011	2012	2013	2014	2015
Total GDP (RMB billion)	48,412.4	53,412.3	58,801.9	63,591.0	67,670.8
Real GDP growth (%)	9.5%	7.7%	7.7%	7.3%	6.9%
GDP per capita (RMB)	36,018.0	39,544.0	43,320.0	46,612.0	49,351.0

*Source: the National Bureau of Statistics of the People's Republic of China*

#### *The European Union ("EU") economy*

According to the Euromonitor Report, GDP in Europe rose by a real growth of 1.9% in 2015, standing at 14.6 trillion euro. Growth of the German economy and the recovery of Spain are the main explanations for this growth. France's and Italy's economies lacked vigour and were the two key factors hampering further growth. The poor outcome of the French and Italian economies was due to an abrupt slowdown in consumer spending.

---

## INDUSTRY OVERVIEW

---

The following table sets forth the total GDP and GDP per capita in the EU from 2011 to 2015:

	2011	2012	2013	2014	2015
Total GDP (Euro billion)	13,179.5	13,431.8	13,548.2	13,957.8	14,625.4
Real GDP growth (%)	1.8%	-0.5%	0.2%	1.4%	1.9%
GDP per capita (Euro)	26,100.0	26,500.0	26,700.0	27,500.0	28,700.0

Source: Eurostat

### *The U.S. economy*

According to the Euromonitor Report, the USA's economy continued to grow at a steady pace in 2015. Data from the Bureau of Economic Analysis, U.S. Department of Commerce shows that U.S. achieved a real GDP of USD17,947.0 billion in 2015, and the GDP growth was 2.4% in 2015. Though a series of headwinds which held back the economy for several years (for example, households paying down their debt) have receded, growth remains lower than its full potential during 2011-2015. The economy grew somewhat slower than the historical trend in 2009-2013.

The following table sets forth the total GDP and GDP per capita in the U.S. from 2011 to 2015:

	2011	2012	2013	2014	2015
Total GDP (USD billion)	15,517.9	16,155.3	16,663.2	17,348.1	17,947.0
Real GDP growth (%)	1.6%	2.2%	1.5%	2.4%	2.4%
GDP per capita (USD)	49,781.4	51,457.0	52,980.0	54,630.0	N/A

Source: Bureau of Economic Analysis, U.S. Department of Commerce

## OVERVIEW OF EMS INDUSTRY IN CHINA

### Introduction

In the traditional electronics manufacturing industries, manufacturers completed the entire manufacturing process themselves, including product design, raw material procurement and the production of products, as well as other aspects, and then would sell their products under their own brands. Within the continuous development of the market and the fierce market competition, some manufacturing companies gradually outsourced to other companies to complete the work of manufacturing and designing, and they gradually transferred their focal point to brand management and channel construction. In this way, these kinds of manufacturing companies can expand market share, effectively reduce the production costs, expand the production capacity rapidly and shorten the production development time. Thus, the EMS industry has emerged.

Most of the large electronics manufacturing companies gradually transformed into EMS. They provide not only product manufacturing services, but also one-stop services including product design and development, procurement of raw materials, related logistics, and after-sales services.

---

## INDUSTRY OVERVIEW

---

The Chinese Government has issued a series of policies in favor of the EMS industry, for example the “Made in China 2025” strategy and the “Belt and Road” policy (the “Silk Road Economic Belt” policy and the “21st Century Maritime Silk Road” policy) (“一帶一路”).

The “Made in China 2025” strategy is a ten-year action plan which was issued by China’s State Council in 2015. The aim is to upgrade China from a manufacturer of quantity to one of quality. One of the core objectives of the “Made in China” strategy is to improve and enhance the quality of products which are manufactured in China and make China’s manufacturing sector more innovative, efficient and competitive in the global market. “Made in China 2025” strategy seeks to enhance innovation capacity of the manufacturing industry, strengthen fundamental industrial capabilities, enhance quality and brand building. The “Made in China 2025” strategy encourages traditional manufacturers to move forward to medium and high-end manufacturing stage. The “Made in China 2025” strategy will ultimately enhance the image of made-in-China products domestically and globally. The Chinese Government is actively providing strong support to promote made-in-China products to the global market. The Chinese EMS manufacturers can make use of the related policies initiated under the “Made in China 2025” strategy to upgrade its manufacturing technology and quality of products and therefore can increase its domestic sales and export sales. The following ten manufacturing sectors are the priority development industries mentioned in the “Made in China 2025” strategy: information technology, numerical control tools and robotics, aerospace equipment, ocean engineering equipment and high-tech ships, railway equipment, energy saving and new energy vehicles, power equipment, new materials, medicine and medical devices, and agricultural machinery. As solenoid coils, industrial grade chargers and LED lighting for commercial use can be applied in the equipment/machines in almost all of the priority development industries, their demands are expected to increase in line with the development of these ten manufacturing sectors. The manufacturers of solenoid coils, industrial grade chargers and LED lighting for commercial use, including the Group, can benefit from the “Made in China 2025” strategy.

Apart from the “Made in China 2025” policy, the “Belt and Road” policy is a development strategy and framework proposed by Mr. Xi Jinping, President of China. Its principal aim is to boost connectivity and commerce between China and Europe and Asia by building infrastructure and boosting financial and trade ties. Most of the countries along the Belt and Road are developing countries such as Russia and Southeast Asian countries. They are new export destinations of China in the sector of solenoid coil, industrial grade chargers and LED lighting for commercial use. It offers a good opportunity for solenoid coils, industrial grade chargers and LED lighting for commercial use to enter into new markets. The exporters of solenoid coils, industrial grade chargers and LED lighting will benefit from the “Belt and Road” policy.

The “Belt and Road” policy is a new driver to Chinese manufacturers to expand overseas markets along with the initiatives brought by the policy. Euromonitor understands from the Directors that the Group plans to allocate a portion of its proceeds from the Share Offer to enhance its marketing activities which aim to explore new markets and attract new customers from Asia and Europe by capitalising the potential opportunities brought by the “Belt and Road” policy.

---

## INDUSTRY OVERVIEW

---

### 1. The solenoid coil sector in the PRC

In the solenoid coil sector, the major application areas are pneumatic valves, hydraulic valves, and electric valve control systems, among which the application in the pneumatic industry accounted for around 55.0% of the total sales in 2015, while the application in the hydraulic industry accounted for around 25.0% of the total sales in 2015. Electric control systems and other fields of application each accounted for around 10.0% in 2015.

The content of copper in hydraulic valves and pneumatic valves is different. The hydraulic valves contain a higher content of copper than pneumatic valves. In terms of power requirements, hydraulic valves are usually above 2000pi, however, pneumatic valve power is usually around 100pi. In general, prices of hydraulic valves are higher than that of pneumatic valves because of the higher copper content and larger power requirements. Since the prices of hydraulic valves are higher, its market demand is comparatively smaller in China during 2015. The application of hydraulic valves is usually in the field of machinery tools, chemical machinery, shipbuilding machinery, petroleum machinery, mining machinery, etc.

### 2. Industrial grade charger sector in the PRC

One of the most important application areas of industrial grade chargers is power tools, such as cordless drills and rotary hammers. One set of power tools usually has several matching chargers, thus the sale of power tools is always bundled with industrial grade chargers. Furthermore, one set of power tool often has several matching chargers, thus the market demand for industrial grade chargers is larger than power tools.

Industrial grade chargers are mainly used for power tools. In the western countries, the market share of wireless power tools is approximately 52.0% while the market share of wired power tools is approximately 48.0%. Due to the portable nature of power tools, they are more convenient and faster than the wired power tools. In China, the market share of wireless power tools is approximately 25.0% while the wired power tools cover around 75.0% of the market share. The opportunities for power tools are estimated to be huge in China.

### 3. LED lighting for commercial use in the PRC

LED lighting is widely applied in business, industries and residential homes. In terms of application area, LED lighting is categorised into general lighting (including commercial lighting, etc.), automobile lighting, ultra violet lighting and other lighting. Commercial LED lighting is mainly used in various business sites, including shopping malls, theatres, hotels, exhibition centers, etc. It is the fastest growing segment within the LED lighting industry. According to the White Paper of LED Industry Development 2015, published in 2015 by the Ministry of Industry and Information of China Center for Information Industry Development, commercial lighting is the most fast-growing market segment. The commercial lighting has grown at a CAGR of 41.2% from 2011 to 2015.

---

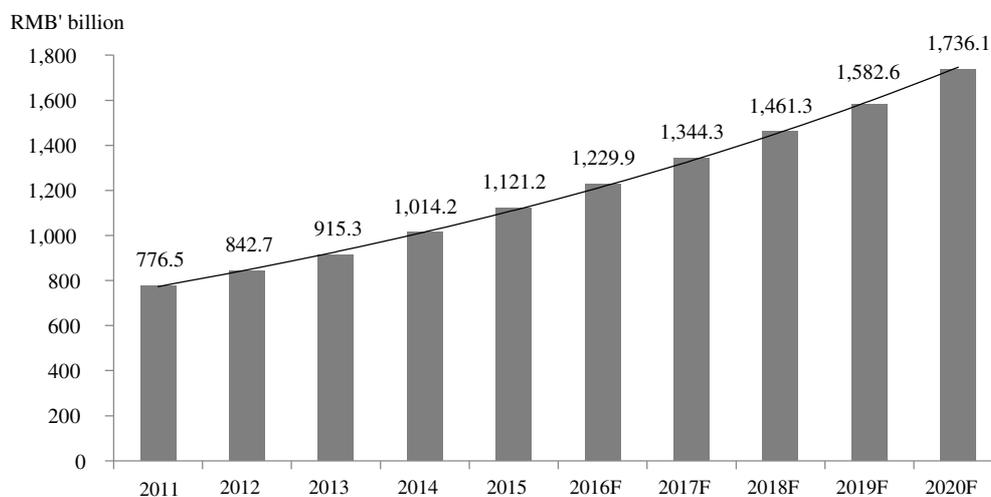
## INDUSTRY OVERVIEW

---

The “Made in China 2025” strategy aims to support the development of technologies and industries applied to energy saving products and environmental protection products, providing the LED lighting industry with long-term assistance and support. The “Belt and Road” policy will help developing new export destinations for Chinese manufacturers. Chinese EMS manufacturers will have more opportunities to export their products to customers in Russia and Southeast Asian countries.

### Total value of EMS in the PRC

The following chart sets forth the total value of EMS in the PRC from 2011 to 2015 and the forecast total value during the period from 2016 to 2020:



*Source: Euromonitor estimates from trade interviews and desk research*

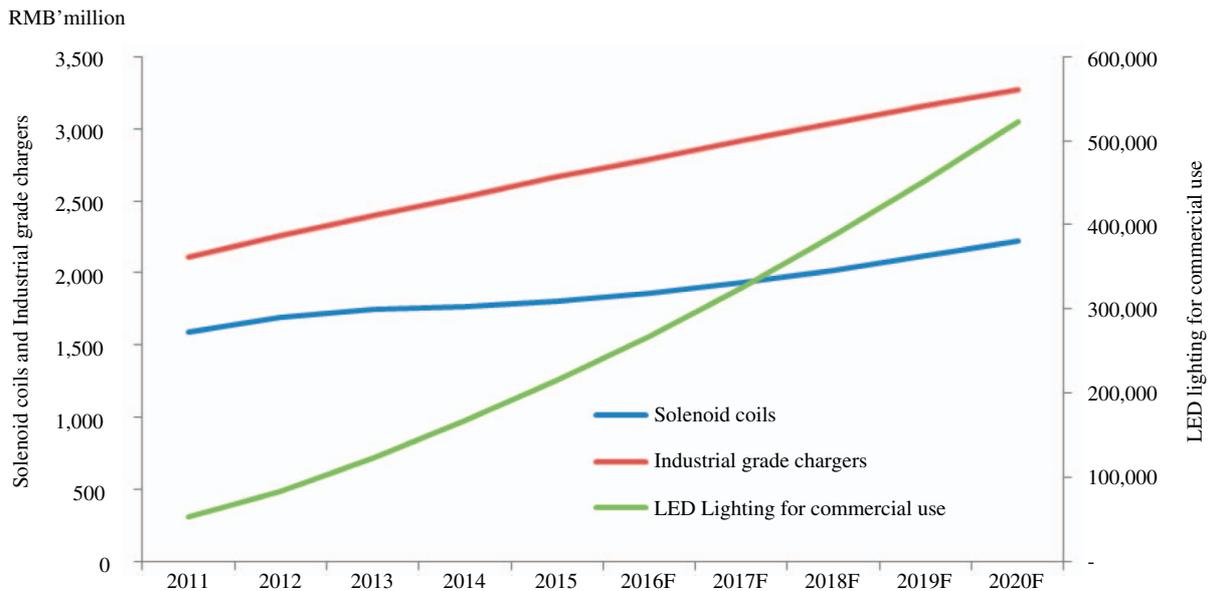
The total value of EMS increased to approximately RMB1,121.2 billion in 2015, from RMB776.5 billion in 2011, representing a CAGR of 9.6%. The EMS industry has shown substantial development from 2011 to 2015. The huge domestic consumer market provides a good environment of sustainable development for local companies. At the same time, the global electronics manufacturing capacity’s transference to China makes it more favourable for local companies to further their development.

Sales value for EMS is projected to grow at a CAGR of 9.0% over the forecast period from 2016 to 2020.

## INDUSTRY OVERVIEW

### Total production of solenoid coils, industrial grade chargers, and LED lighting for commercial use in the PRC

The following chart sets forth the total production of solenoid coils, industrial grade chargers, and LED lighting for commercial use in the PRC from 2011 to 2015 and the forecast total production during the period from 2016 to 2020:



Source: Euromonitor estimates from trade interviews and desk research

The total production of solenoid coils increased to approximately RMB1,804 million in 2015, from RMB1,587 million in 2011, representing a CAGR of 3.3%. The total production of industrial grade chargers increased to RMB2,665 million in 2015, from RMB2,111 million in 2011, representing a CAGR of 6.0%. The total production of LED lighting for commercial use increased from RMB54,200 million in 2011 to RMB215,500 million in 2015, representing a CAGR of 41.2%.

Sales values for solenoid coils are projected to grow at a CAGR of 4.6% from 2016 to 2020. Solenoid coils are mainly used in electromagnetic valves in the industrial automation industry. There are related policies issued by the state government to support the development of the industrial automation sector. The “Made in China 2025” strategy was issued by the State Council in May 2015, which indicates that some key industrial sectors of the Chinese manufacturing industry are expected to fully realise manufacturing intelligence by 2025, including high-end CNC machine tools and robotics sectors, energy saving and new energy automotive sector, and electrical power equipment sector. The government policy will stimulate the application of electromagnetic valves in the industrial automation sector, consequently improving the market demand for solenoid coils.

---

## INDUSTRY OVERVIEW

---

Sales values for industrial grade chargers are projected to grow at 4.0% from 2016 to 2020. Industrial grade chargers are mainly used for power tools. According to trade sources, in the western countries, the market share of wireless power tools is over 50.0% while the market share of wired power tools is less than 50%. Due to the portable nature of power tools, they are more convenient and faster than wired power tools. In China, the market share of wireless power tools is approximately 25.0% while wired power tools are approximately 75.0% of the market share. The opportunities for power tools are estimated to be huge in China.

Sales values of LED lighting for commercial use are projected to grow at 18.3% from 2016 to 2020. The growth is mainly supported by government policies which aim to strengthen the development of energy saving and environmental protection industries.

### Key barriers

The main entry barriers into the EMS industry in China include:

- (i) **Financial strength.** Substantial capital is necessary in the EMS industry, especially for purchasing costly raw materials as well as equipment and machinery. Therefore, it is difficult for new entrants without sufficient capital and cash flow to enter the industry;
- (ii) **Advanced technology.** Manufacturing of solenoid coils, battery charger solution and power supply and LED lighting is characterised by rapid technological advancements and susceptible to changes in market trends and demands. This presents entry barriers to new players with insufficient research and development capabilities; and
- (iii) **Product quality.** Given that most manufacturers of solenoid coils, battery charger solution and power supply and LED lighting offer similar or even homogeneous products and services, products that are of high quality and are safe and reliable will help a manufacturer distinguish itself from its competitors. A proven track record in providing high quality products will help a manufacturer establish good reputation in the industry, enabling it to attract new customers as well as retain existing customers.

### Price Trend of Raw Materials

The principal raw materials used in the EMS industry primarily include copper, plastic resins and electronic components. The revenue and profitability of manufacturing companies are directly impacted by raw material costs.

#### (i) Copper

According to the Euromonitor Report, the average price of copper decreased from USD8,810.9 per ton in 2011 to around USD5,494.5 in 2015, representing a decrease in CAGR of 11.1%.

---

## INDUSTRY OVERVIEW

---

The following chart sets out the price movement of copper from 2011 to 2015:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<b>CAGR</b> <b>2011-2015</b>
Average price of copper (USD per ton)	8,810.9	7,882.0	7,322.1	6,862.0	5,494.5	-11.1%

The price of copper faced increased pressure due to the stronger US dollars. Meanwhile, a sluggish global macro-economy has had a negative impact on the demand for industrial production and led to the decrease in prices of copper.

(ii) **Plastic resins**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<b>CAGR</b> <b>2011-2015</b>
China import price from the world (USD per kg)	3.7	3.3	3.2	3.1	2.7	-8.1%

Source: UN comtrade

During the period between 2011 and 2015, the China import price of plastic resins recorded a decrease at CAGR of 8.1%. According to the Euromonitor Report, the depression of global economy has led to the decline in demand for plastic resin. Due to the oversupply of plastic resin, the average import price of plastic resin decreased from USD3.7 per kg in 2011 to USD2.7 per kg in 2015.

(iii) **Electronic components**

The major electronic components used by the Group and their price trends are set out below.

<u>USD per kg</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<b>CAGR</b> <b>2011-2015</b>
Integrated circuit	3,118.4	3,952.0	4,643.2	NA	5,122.6	13.2%
Diodes, except photosensitive and light emitting	158.5	179.7	204.3	133.5	222.5	8.9%
Fixed power capacitors (50/60 herz circuits)	27.2	28.8	28.3	26.4	24.5	-2.6%

Source: UN Comtrade

---

## INDUSTRY OVERVIEW

---

During the period from 2011 to 2015, the increasing price trend of the integrated circuit at CAGR of 13.2% is because the integrated circuit is widely used in numerous electronic equipment, leading to a strong demand of integrated circuit. During the period from 2011 to 2015, the average price of diodes was increasing at CAGR of 8.9% because of the insufficient supply of diodes in the market. On the contrary, the average price of fixed power capacitors recorded a decrease of CAGR of 2.6% because of the reduction in its raw material prices.

### Major challenges

The principal challenges to the development of China's EMS industry include:

- (i) **Increasing labour costs:** The rise in labour costs, which is one of the major components of manufacturing costs, may cause the labour-intensive EMS industry to face an increase in overall costs, which will hamper its profitability in the long run. The minimum monthly salary in Shenzhen increased at a CAGR of 11.5% from RMB1,423 in 2011 to RMB2,203 in 2015. The average monthly salary of manufacturing industry in Shenzhen increased at a CAGR of 9.1% from RMB2,751 in 2011 to RMB3,900 in 2015; and
- (ii) **Pricing:** EMS industry in the PRC is fragmented and manufacturers often offer similar or even homogeneous products and services. As a result, price competition among players in the industry is intense. The export unit price (from China) of electro-magnets and their parts<sup>Note</sup> increased from USD9.3 to USD12.0 from 2011 to 2015, representing a CAGR of approximately 6.5%, due to their strong demand in the market. The export unit price (from China) of LED lighting increased from USD5.9 in 2011 to USD11.8 in 2015, representing a CAGR of approximately 18.7%, also due to their strong demand in the market. On the contrary, the export unit price (from China) of industrial grade chargers decreased from USD4.4 in 2011 to USD3.5 in 2015, representing a CAGR of -5.5%, because of the growing trend of wireless charging and oversupply of industrial grade chargers. The export unit price (from China) is mainly dependent on manufacturing costs in China, including the raw material cost and the labour cost, among others. Having considered the historical price fluctuation of raw materials and the expected increase in the labour cost in China as well as their combined impact on the production costs, Euromonitor is of the view that the export unit prices of solenoid coils, industrial grade chargers and LED lighting for commercial use may either remain stable or increase slightly from 2016 to 2020 in China.

*Note:* Solenoid coils are the major components of electro-magnets and they export under the HS code of electro-magnets and their parts. When Euromonitor conducted the research, Euromonitor made reference to the data of electro-magnets when the corresponding data of solenoid coils were not available through China Custom.

---

## INDUSTRY OVERVIEW

---

### COMPETITIVE LANDSCAPE

In 2015, our Group accounted for approximately 1.8%, 1.9% and 0.01% of the market share (based on the sales value of production) in the solenoid coils, industrial grade chargers and commercial use LED lighting, respectively, in China. In terms of market share (based on the import statistics) in the U.S., the Group accounted for approximately 1.16%, 0.06% and 0.03% in the sectors of solenoid coils, industrial grade chargers and commercial use LED lighting respectively during 2015. In terms of market share (based on the import statistics) in the European Union, the Group accounted for approximately 1.17%, 0.08% and 0.04% in the sectors of solenoid coils, industrial grade chargers and commercial use LED lighting respectively during 2014. Euromonitor indicated that the Group's market share in the European Union and the U.S. are indeed relatively small and the major competitors of the Group are the other similar EMS manufacturers in China.

#### Competitive landscape in China

##### (i) *Concentrated market in the solenoid coils sector in China*

In the solenoid coils sector, the five largest manufacturers produce solenoid valves. These manufacturers are foreign brands, four of which are overseas listed corporations. According to the Euromonitor Report, these companies, as a whole, have covered around 75% of the market share in China in 2015 in terms of manufacturer's sales revenue.

The main reasons that these companies can maintain their top ranking are because they have been in the field for a long time and they have become established big brands with solid experience. With a wealth of management and operation experience, the top five manufacturers understand the market and the customers well, which help these enterprises provide high quality products and services.

#### Market Share of Five Largest Solenoid Coils Manufacturers in China, 2015

<u>Ranking</u>	<u>Manufacturers</u>	<u>Location of Headquarter</u>	<u>Market Share</u>	<u>Publicly Listed Company (Y/N)</u>	<u>Application</u>
1	Manufacturer A	Tokyo, Japan	30.5%	Y	Pneumatic valves
2	Manufacturer B	Esslingen, German	19.4%	N	Pneumatic valves
3	Manufacturer C	Taiwan	15.9%	Y	Pneumatic valves
4	Manufacturer D	Saint Louis, America	8.0%	Y	Pneumatic valves and Hydraulic valves
5	Manufacturer E	Tokyo, Japan	5.1%	Y	Pneumatic valves and Hydraulic valves

Source: Euromonitor estimates from trade interview and desk research

---

## INDUSTRY OVERVIEW

---

Our Group's solenoid coils are used in hydraulic valves. Our Group accounted for approximately 1.8% of the total market share of solenoid coils in China based on the sales value in China in 2015.

(ii) *Market in the industrial grade chargers sector in China*

**Market Share of Top Five Industrial Grade Chargers Manufacturers in China, 2015**

<b>Ranking</b>	<b>Manufacturers</b>	<b>Location of Headquarter</b>	<b>Market Share</b>	<b>Publicly Listed Company (Y/N)</b>
1	Manufacturer F	Hong Kong	15.0%	Y
2	Manufacturer G	Nanjing, China	8.6%	N
3	Manufacturer H	Suzhou, China	4.6%	N
4	Manufacturer I	Gerlingen, Germany	3.7%	N
5	Manufacturer J	Taiwan	2.7%	Y

*Source: Euromonitor estimates from trade interview and desk research*

The reason the abovementioned companies lead the industrial grade chargers market is that they have advanced production technology as well as abundant management and operations experience. With stable relationships with clients, they have garnered good reputation so that they can create their own brand and then make the brand develop faster than average. As a result, they turn out to be stable, long-term leaders and occupy a relatively large market share.

Our Group accounted for approximately 1.9% of the total market share in the industrial grade chargers in China during 2015.

(iii) *Market in the commercial use LED lighting sector in China*

*Market Share of Top Five Manufacturers of LED lighting for commercial use in China, in 2015*

<b>Ranking</b>	<b>Manufacturers</b>	<b>Location of Headquarters</b>	<b>Market Share</b>	<b>Publicly Listed Company (Y/N)</b>
1	Manufacturer K	Shanghai, China	1.7%	N
2	Manufacturer L	Amsterdam, Netherlands	1.6%	Y
3	Manufacturer M	Shangyu, China	1.5%	Y
4	Manufacturer N	Xiamen, China	1.2%	N
5	Manufacturer O	Hengdian, China	1.1%	N

*Source: Euromonitor estimates from trade interview and desk research.*

---

## INDUSTRY OVERVIEW

---

\*\* The market share data reported above has been determined via a fieldwork program consisting of desk research and trade interviews.

While audited data was available for some of the companies, they typically do not break the revenue numbers into the relevant categories which were covered in this study. For these companies as well as those companies that are included in the market shares but are not publicly listed, we have estimated the markets shares based on estimates provided by various trade sources (i.e. not just the companies themselves) and seeking a consensus on these estimates as much as possible.

The five largest manufacturers accounted for approximately 7.1% of the LED lighting for commercial use market in China during 2015, indicating that the market concentration in this industry is relatively low. The reason these five largest manufacturers led the market is that they have strong distribution channels as well as advanced production technologies.

Our Group's revenue in LED lighting accounted for approximately 0.01% of the market share in LED lighting for commercial use in China in 2015.

---

## REGULATORY OVERVIEW

---

This section summarises certain aspects of the Hong Kong, the PRC, the U.S. and the EU laws and regulations which are relevant to our operations in these regions. Information contained in this section should not be construed as a comprehensive summary of the Hong Kong, the PRC, the U.S. and the EU laws and regulations applicable to us.

### REGULATIONS IN HONG KONG

As at the Latest Practicable Date, the company operating the businesses of our Group in Hong Kong, i.e., trading of our products, is required to comply with the laws of Hong Kong generally and there are no particular laws or regulations of Hong Kong which are specific to the businesses of our Group and the industry in which our Group operates in Hong Kong.

### REGULATIONS IN THE PRC

#### WHOLLY FOREIGN-OWNED ENTERPRISE

Companies with limited liability and joint stock companies with limited liability established and operating in the PRC are governed by the Company Law of the PRC (中華人民共和國公司法) (the “PRC Company Law”), which was passed by the Standing Committee of the National People’s Congress (the “SCNPC”) on 29 December 1993 and was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013, respectively. The PRC Company Law was most recently amended by the SCNPC on 28 December 2013 and became effective from 1 March 2014. The major amendments include, but are not limited to, cancelling the paid-up capital registration and removing the statutory minimum registered capital requirements and the statutory timeframe for the capital contribution. Our PRC subsidiary, Shenzhen Pantai, which is a foreign invested company incorporated in the PRC is subject to the PRC Company Law, unless otherwise provided in the PRC foreign investment laws.

The establishment procedures, verification and approval procedures, registered capital requirements, foreign exchange control, accounting practices, taxation, labor matters and all other relevant matters of a wholly foreign-owned enterprise shall be subject to the Foreign-Invested Enterprise Law of the PRC (中華人民共和國外資企業法) (the “Foreign-Invested Enterprise Law”), which was promulgated by the SCNPC on 12 April 1986 and amended on 31 October 2000 and 3 September 2016, and the Implementation Rules of the Foreign-Invested Enterprise Law of the PRC (中華人民共和國外資企業法實施細則), which were promulgated by the Department of the Foreign Economic and Trade of the PRC on 12 December 1990 and amended by the PRC State Council (the “State Council”) on 12 April 2001 and 19 February 2014. Our PRC subsidiary, Shenzhen Pantai, is a wholly foreign-owned enterprise incorporated in the PRC and does comply the Foreign-Invested Enterprise Law.

---

## REGULATORY OVERVIEW

---

### ENVIRONMENTAL PROTECTION

The Environmental Protection Law of the PRC (中華人民共和國環境保護法), which was passed and came into effect on 26 December 1989 by the SCNPC and then amended on 24 April 2014 and came into effect on 1 January 2015, provides a regulatory framework to protect and develop the environment, prevent and reduce pollution and other public hazards, and safeguard human health. According to the Environmental Protection Law, enterprises and other manufacturers shall prevent and reduce environmental pollution and ecological damage as well as take the liabilities for the damages caused.

According to Guangdong Administrative Regulations on Environmental Protection of Construction Projects (廣東省建設項目環境保護管理條例) promulgated by the Standing Committee of Guangdong People's Congress on 26 July 2012, all construction projects which generate pollutants during the construction or after the completion of the construction shall be subject to the approval from and the inspection by the competent environmental authority. As our production process in Songgang Factory generates certain air pollutants, Shenzhen Pantai is subject to the aforesaid regulations. As confirmed by our PRC Legal Advisers, Shenzhen Pantai has obtained the environmental approval and the inspection confirmation in relation to Songgang Factory from the PRC competent environmental authorities.

### FOREIGN EXCHANGE CONTROL

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of foreign currency out of the PRC. The SAFE is responsible for administering all matters relating to foreign exchange, including the enforcement of the PRC foreign exchange control regulations.

Under the existing PRC foreign exchange control regulations, all international payments and transfers are classified into current account items and capital account items. Foreign currency payments under current account items by domestic institutions, including payments for imports and exports of goods and services and payments of income and current transfers into and outside the PRC must be either paid with their own foreign currency with valid documentation or with the foreign currency purchased from financial institutions. Foreign currency income accounted for under current account items may be retained or sold to financial institutions. Foreign currency payments under capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans, and must be made out of a domestic institution's own foreign currency with valid documentation or be made with foreign currency purchased from any financial institution. The payments of current account items can be made in foreign currencies without the prior approval from the SAFE, by complying with certain procedural requirements. However, payments under the capital account items are subject to significant foreign exchange controls and require the prior approval from the SAFE or the registration with the SAFE or its designated banks.

As the cross-border capital flows are common to us based on our business model, the PRC laws and regulations in relation to the foreign exchange are material to our Group's business.

---

## REGULATORY OVERVIEW

---

### TAXATION IN THE PRC

#### Enterprise Income Tax

According to the EIT Law, which was passed by the National People's Congress in China (全國人民代表大會) (the "NPC") on 16 March 2007 and came into effect on 1 January 2008, and its Implementation Regulations (企業所得稅法實施條例), which were promulgated by the State Council on 6 December 2007 and came into effect on 1 January 2008, enterprises are classified into resident enterprises and non-resident enterprises. Enterprises, which are incorporated in the PRC or which are incorporated pursuant to the foreign laws with their "de facto management bodies" located in the PRC, are deemed a "resident enterprise" and subject to an enterprise income tax rate of 25% on their global income. Non-resident enterprises are subject to (i) an enterprise income tax rate of 25% on their income generated by their establishments or places of business in the PRC and its income derived outside the PRC which are effectively connected with their establishments or places of business in the PRC; and (ii) an enterprise income tax rate of 10% on their income derived from the PRC but not connected with its establishments or places of business located in the PRC. Non-resident enterprises without an establishment or place of business in the PRC are subject to an enterprise income tax of 10% on their income derived from the PRC. Our PRC subsidiary, Shenzhen Pantai, is a PRC resident enterprise and is subject to the PRC enterprise income tax at the rate of 25%.

#### Transfer Pricing

According to the EIT Law and its implementation rules, related party transactions should comply with the arm's length principle (公平交易原則) and if the related party transactions fail to comply with the arm's length principle and results in the reduction of the enterprise's taxable income, the tax authority has the power to make a special adjustment within ten years from the tax paying year that the non-compliant related party transaction had occurred. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall submit an annual related party transactions reporting form (年度關聯業務往來報告表) to the tax authority.

According to the Implementation Regulations for Special Tax Adjustments (特別納稅調整實施辦法) promulgated by State Administration of Taxation, enterprises entering into a transaction with associated parties, and taxation authorities reviewing and evaluating such transaction shall observe the arm's length principle and select and employ a reasonable transfer pricing method. As provided in the implementation rules of the EIT Law, transfer pricing methods include the comparable uncontrolled price method, the resale price method, the cost plus method, the transactional net margin method, the profit split method, and other approaches that are in compliance with the arm's length principle. In the event that the related party transactions exceed a certain threshold, the PRC company is required to prepare, keep and, as requested by the tax authority, submit the contemporaneous documents (同期資料) relating to the related party transaction to the same. As the related party transactions of Shenzhen Pantai exceeded the aforesaid threshold during the Track Record Period, Shenzhen Pantai is obliged to prepare, keep and, if requested, submit the contemporaneous documents to the tax authority.

---

## REGULATORY OVERVIEW

---

Shenzhen Pantai has prepared and submitted related party transactions reporting form relating to the intra-group sales to the PRC tax authorities under the PRC regulations during the Track Record Period and we have not been required by the PRC tax authority to submit the contemporaneous documents (同期資料) relating to the related party transactions and have not received any notice from the tax authority indicating it will make a special tax adjustment in relation to transfer pricing issues for the past years.

### **Withholding Income Tax**

Pursuant to the EIT Law, dividends generated after 1 January 2008 and payable by a foreign invested enterprise in the PRC to its foreign investors are subject to a 10% withholding income tax, unless otherwise provided in the tax treaty concluded between the PRC and such foreign investor's jurisdiction of incorporation.

Pursuant to the Treaty on the Avoidance of Double Taxation and Tax Evasion between Mainland and Hong Kong (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 "Tax Treaty") concluded on 21 August 2006, the applicable withholding income tax rate for any dividends declared by a Chinese company is 5% for a shareholder being a Hong Kong resident holding at least 25% interest in its registered capital, or 10% for a shareholder being a Hong Kong resident holding less than 25% interest in its registered capital. According to the Announcement on the Administrative Measures for Non-resident Taxpayers to Enjoy the Treatment Under Tax Treaties (非居民納稅人享受稅收協定待遇管理辦法), or the 2015 Administration Measures, which was promulgated by the State Administration of Taxation on 27 August 2015 and became effective on November 1, 2015, prior approval from or filings with the PRC competent tax authority is no longer required before a non-resident taxpayer can enjoy the preferential tax treatment under the relevant treaties. A non-resident taxpayer may enjoy the preferential tax treatment at the time of tax return filings or withholding and declaration through a withholding agent if it is eligible for the preferential tax treatment under the relevant provisions of a tax treaty, subject to the follow-up administration by the relevant tax authority. In order to enjoy the preferential tax treatment, the non-resident taxpayer shall file documents as required by the 2015 Administration Measures with the PRC competent tax authority when filing tax returns or withholding and declaration through a withholding agent, among which the proof of the identity of the tax resident issued by the tax authority of the counter party to the treaty is required. During the follow-up administration, the PRC competent tax authorities shall verify if the non-resident taxpayer is eligible for the preferential tax treatment and may ask for supplemental documents from the non-resident taxpayer. If the PRC competent tax authority finds out that the non-resident taxpayer, who enjoyed the preferential tax treatment, is not eligible for such treatment under the relevant laws, the PRC competent tax authority shall require such non-resident taxpayer to pay up the overdue taxes before a specified deadline.

During the Track Record Period, dividends paid by our PRC subsidiary, Shenzhen Pantai, to Pantene were subject to a dividend withholding tax rate of 5%.

---

## REGULATORY OVERVIEW

---

### Value-added Tax

The Interim Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例), which were promulgated by the State Council on 13 December 1993, came into effect on 1 January 1994, and were amended on 10 November 2008 and came into effect on 1 January 2009, and the Implementation Rules of the Interim Regulations on Value-added Tax (中華人民共和國增值稅暫行條例實施細則), which were promulgated by the PRC Ministry of Finance (the “MOF”) and became effective on 25 December 1993, and were amended on 15 December 2008 and 28 October 2011 (effective from 1 November 2011), set out that sale of goods, provision of processing services, repair and replacement services, and import and export goods within the PRC are subject to the payment of value-added tax (the “VAT”). The VAT payable is calculated as “output VAT” minus “input VAT” and the VAT rate is 17% or in certain limited circumstances 13%, depending on the products, except for a small-scale taxpayer under the Interim Regulations on Value-added Tax of the PRC.

During the Track Record Period, Shenzhen Pantai was subject to the VAT at the rate of 17%.

### LABOR PROTECTION

As our business operates on a labour-intensive basis and the number of the employees based in the PRC accounts for the majority of the number of our total employees, the PRC labour laws and regulations, especially the Labour Contract Law and the laws and regulations in relation to the social insurance and the housing provident fund, are material to our business.

#### Labor Contract Law

The Labor Contract Law of the PRC (中華人民共和國勞動合同法), which was passed by the SCNPC on 29 June 2007, came into effect on 1 January 2008, and was amended on 28 December 2012, and the Implementation Regulations on the Labor Contract Law of the PRC (中華人民共和國勞動合同法實施條例), which were promulgated by the State Council on 18 September 2008, and came into effect on the same day, provide that the written labor contracts must be executed in order to establish the labor relationship between employers and employees. In recruiting employees, an employer should inform the employees truthfully the scope of work, working conditions, workplace, occupational hazards, production safety conditions, labor remuneration and other information requested by the employees. An employer and an employee shall fully perform their respective obligations in accordance with the terms set forth in the labor contract. An employer must pay employees the labor remuneration timely and in full in accordance with terms in the labor contract. Meanwhile, the Labor Contract Law also provides for the scenario of rescission and termination, except the situation explicitly stipulated in the Labor Contract Law which will not subject to economic compensation, the economic compensation shall be paid to the employee by the employer for the illegally rescission or termination of the labor contract.

#### Social Insurance and Housing Provident Funds

Under the Social Insurance Law of the PRC (中華人民共和國社會保險法), the Regulations on Work-Related Injury Insurance (工傷保險條例), the Regulations on Unemployment Insurance (失業保險條例), the Provisional Measures on Maternity Insurance of Employees (企業職工生育保險

---

## REGULATORY OVERVIEW

---

試行辦法) and the Interim Regulations on Collection of Social Insurance Premiums (社會保險費征繳暫行條例), an employer is required to make contributions to social insurance schemes for its employees, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and work-related injury insurance. If the employer fails to make social insurance contributions in full and on time, the social insurance authorities may demand the employer to make payments or supplementary payments for the unpaid social insurance within a specified period together with a 0.05% surcharge since the non-payment date. If the employer fails to settle the overdue payment within such time limit, the relevant regulatory authorities may impose a fine on such employer of no less than one time and no greater than three times of the unpaid contribution amount.

Under the Administrative Regulations on Housing Provident Funds (住房公積金管理條例), which were promulgated by the State Council on 3 April 1999 and amended on 24 March 2002, employers are required to make contribution to housing provident funds for their employees. Where an employer fails to pay up housing provident funds within the prescribed time limit, the housing fund administration center shall order it to make payment within a certain period of time. If the employer still fails to do so, the housing fund administration center may apply to the court for enforcement of the unpaid amount.

### PROPERTY

The Land Administration Law of the PRC (中華人民共和國土地管理法), which was promulgated by the SCNPC on 25 June 1986 with effect from 1 January 1987 and amended on 29 December 1988, 29 August 1998 and 28 August 2004, and the Implementation Regulations of the Land Administration of the PRC (中華人民共和國土地管理法實施條例), which were promulgated by the State Council on 27 December 1998 with effect from 1 January 1999 and amended on 8 January 2011 and 29 July 2014, provide that the land-use regulation system and the land registration and certification system are implemented in the PRC. Enterprises or individual must use land in strict accordance with the purposes of land use as specified in the overall land utilisation plan. Any change to the ownership and/or the use of the land requires the relevant approvals to be obtained from and the relevant registrations to be made with the competent governmental authorities according to the relevant laws and regulations.

Pursuant to a series of construction-related laws and regulations, including the Urban and Rural Planning Law of the PRC (中華人民共和國城鄉規劃法), the Construction Law of the PRC (中華人民共和國建築法), Regulations on Administration of Construction Project Quality (建設工程質量管理條例) and House Registration Measures (房屋登記辦法), the constructor of a construction project is required to obtain various permits, certificates and approvals in relation to such construction project (including land use right certificate (土地使用證), planning permit for land for construction use (建設用地規劃許可證), planning permit for construction work (建設工程規劃許可證) and permit for commencement of construction works (建築工程施工許可證) before obtaining the property ownership certificate. After completion of a construction project, the local regulatory authorities would conduct various inspections and issue the respective inspection report on the completed construction to check if the construction process and property comply with the relevant laws, rules and regulations.

---

## REGULATORY OVERVIEW

---

Under the Property Law of the PRC (中華人民共和國物權法), which was passed by NPC on 16 March 2007 and came into effect on 1 October 2007, the creation, alteration, transfer or termination of the title of an immovable property shall be subject to registration in accordance with the PRC law.

Our Group has self-owned properties located in the PRC, which are subject to the PRC laws in relation to the properties.

### CUSTOMS

Pursuant to the Customs Law of the PRC (中華人民共和國海關法), which was adopted at the 19th Meeting of the Standing Committee of the Sixth National People's Congress on 22 January 1987, and amended by the SCNPC on 8 July 2000 and 29 June 2013, all conveyance, goods and articles entering or leaving the territory shall be subject to customs control, including declaration, examination and supervision. Duties shall be levied accordingly. Unless otherwise exempted or reduced according to the laws or regulations, the consignee of import goods, the consignor of export goods and the owner of inward and outward articles shall be the obligatory customs duty payer. A fine may be imposed for acts which violate the regulations on customs control prescribed in the Customs Law of the PRC, such as, the failure to make accurate declaration of the import or export goods to the PRC customs authority, the failure to accept, in accordance with relevant regulations, the checking and examination by the PRC customs authority of the conveyance, goods or articles entering or leaving the territory, and to open or break seals affixed by the PRC customs authority without authorisation.

Our business activities include import and export of goods into and outside the PRC and are subject to the PRC customs regulations.

### UNITED STATES LAWS AND REGULATIONS

#### Product Liability Law

The United States state law generally imposes 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, the United States laws and regulations (for example, the Consumer Product Safety Improvement Act of 2008) can impose obligations 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. There is no federal product liability law in the United States. Therefore, the law of each state determine 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 states. Manufacturers, however, should be aware of the intricacies of the product liability law in the states in which they do business. In application, Product Liability Law governs private litigation of product accidents. It operates *ex post*, meaning it is a body of law that governs after a product accident has already occurred.

---

## REGULATORY OVERVIEW

---

Product 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 power-related and electrical 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 product 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 product 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.

---

## REGULATORY OVERVIEW

---

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. For example, not only must the product be manufactured with reasonable care, the product must also be designed in a way that is safe when used as intended. 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 be assembled with appropriate care to avoid 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 state to state.

---

## REGULATORY OVERVIEW

---

### *Available Defenses*

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

- *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 states 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 states, 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 states. 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.

### **Product Safety Laws and Regulations**

#### *Consumer Product Safety Commission*

The second body of law 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. 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.

The Consumer Product Safety Improvement Act of 2008 ("CPSIA") was passed by Congress in 2008. Products imported into the United States that fail to comply with CPSIA's requirements 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.

---

## REGULATORY OVERVIEW

---

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 Consumer Product Safety Act (“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 Federal Hazardous Substances Act, and the Poison Prevention Packaging 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.

### ***Occupational Health and Safety***

The United States Occupational Safety and Health Act (“OSHA”) and the regulations adopted pursuant to OSHA, and similar statutes and regulations adopted by the states that concern occupational health and safety, require employers to, among other things, (i) provide a workplace that is free from serious recognised hazards and complies with applicable safety regulations, (ii) make certain that employees have and use safe tools and equipment, (iii) provide safety training and develop operating procedures that facilitate employee compliance with safety and health requirements, and (iv) keep records of work-related injuries and illnesses. In addition, the OSHA and such regulations, and such state statutes and regulations concerning occupational health and safety, require employers to keep records of hazardous materials that they use or generate and provide such information to employees and the relevant government authorities upon request.

### ***Other United States Laws & Requirements***

In addition to the foregoing, a manufacturer’s product may also be subject to various other requirements and regulations, which vary based on the product and source of the product. For example, Underwriter Laboratories (“UL”) develops safety standards for electronics and components. While UL compliance is not required by law, most retailers will not buy products that are not UL certified/listed.

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 Federal Hazardous Substances Act, the CPSA, the Federal Hazardous Substance Act and the Poison Prevention Packaging Act, as well as various other standards, guides, limitations and bans.

---

## REGULATORY OVERVIEW

---

### **U.S. Trade Regulations**

We deliver significant quantities of our products to the United States. We expect export sales to the United States to continue to represent a significant portion of our turnover in the near future. As such, our export sales and, in turn, our results of operations and financial position, are subject to the economic, political, social and legal developments in the United States and the relationship between the United States and China.

According to our arrangement with Customer A which the Group mainly supplies solenoid coils to, we are responsible for paying the duties and VAT in relation to the import of our products into the Chicago Warehouse. The following U.S. trade regulations may therefore apply to our products. Please refer to the section headed “Business — Relationship with Customer A” in this prospectus for further details of contractual arrangements with Customer A.

### ***Import Tariffs***

Manufactured goods imported from China are generally subject to the United States import duties. China is subject to the general rates applicable to most countries with which the U.S. does not have a free-trade agreement in place. The rates of duty are set forth in the Harmonized Tariff Schedule of the United States (“HTS”) which identifies applicable duties for the universe of imported goods, organised by class and specific article.

Save for solenoid coils which are being supplied to Customer A, our Group delivers our products to the customers in the U.S. primarily on FOB or ex-factory basis, and the Group is not responsible for payment of import tariffs. Thus, our US Legal Advisers are of the opinion that the HTS does not apply directly to our Company.

In relation to one of our product types, solenoid coils, which the Group mainly supplies to Customer A, according to our US Legal Advisers, it falls within Chapter 85 of the HTS, “Electrical machinery and equipment,” at HTS 8505.7501, and bears a duty of 1.3% upon entry into the customs territory of the United States. It should be noted that this new HTS classification number was established on July 1, 2016, replacing HTS 8505.8000, which also carried a duty of 1.3%, but was deleted from the HTS on July 1, 2016. There are no other duties applied to the product.

There are a number of provisions of the U.S. trade law which may allow or result in modification of these duties.

For example, Sections 201 through 204 of the Trade Act of 1974 provide the authority and procedures for the United States to take various actions to facilitate a domestic industry’s adjustment to import competition. Under such Sections, if the International Trade Commission determines that an article is being imported in such increased quantities as to threaten domestic producers of similar products, the United States may, among other things, increase or impose a duty, or a tariff-rate quota.

Any continuing or new United States trade protection measures unfavorable to our products could significantly increase the cost of importing our products by our United States customers and potential customers. Our United States customers may be unable or unwilling to pass on the extra cost

---

## REGULATORY OVERVIEW

---

to their customers and may choose instead to purchase products from our competitors who are not subject to such trade protection measures. In either event, we could substantially lose our competitive advantages in the United States market and lose United States export sales turnover, and our market share, business, results of operations and financial condition could be adversely affected.

### *Anti-Dumping Laws*

There are a range of trade laws in the United States which address the issue of imports which may injure or threaten industries in the United States. Under anti-dumping laws (Title VII of the Tariff Act of 1930), the United States International Trade Commission (“USITC”), conducts investigations into whether dumping or subsidisation is occurring in products brought into the United States market. A significant proportion of such investigations in recent years have been in relation to imports from China.

Whether an item is being dumped or not is assessed on the basis of whether it is being sold at less than fair value in the United States. This means that it is being sold below the producer’s sales price in its home market, or at a price which is lower than the cost of production. Subsidisation occurs when a government provides countervailable financial assistance to benefit production, manufacture and/or export of a good.

There is first an assessment made by the Commerce Department that dumping or subsidisation is occurring, together with a calculation of the estimated margin of dumping or amount of subsidy, and then the USITC is called upon to determine whether or not there is a material injury or threat to United States industry. If such a threat is found, the Commerce Department will issue an antidumping duty and/or countervailing duty order for the purpose of offsetting the negative effect of subsidies provided by the Chinese government on the products that are found to be harming Domestic producers.

When such an order is imposed, the United States Customs and Border Protection is instructed to assess special duties on products subject to the order at the time of their import. After an order has been issued, there is an automatic “sunset” review, no later than five years after the order is issued, which is conducted to assess whether a revocation of the order would lead to the continuation or recurrence of dumping or subsidies and of material injury within a reasonably foreseeable time.

In addition to anti-dumping and subsidisation investigations, there is a special China safeguards investigation which may also be conducted by the USITC. Under this law, the USITC determines whether articles from China are being imported into the United States in such increased quantities or under such conditions as to cause or threaten to cause market disruption to the domestic producers of like or directly competitive products. If the USITC makes an affirmative determination, it proposes a remedy. The USITC sends its report to the President of the United States and the United States Trade Representative. The President of the United States makes the final remedy decision.

Save for solenoid coils, as our Group delivers our products to the customers in the U.S. primarily on FOB or ex-factory terms, the US Legal Advisers are of the opinion that U.S. anti-dumping laws do not apply directly to our Group. In relation to solenoid coils, based on the views of our US Legal Advisers and so far as our Directors are aware, there are no outstanding antidumping or countervailing duty orders against the product in question.

---

## REGULATORY OVERVIEW

---

Nonetheless, so far as our Directors are aware, our products were not the subject of any anti-dumping investigation or anti-dumping duties nor had we exported any products to the U.S. market or produced any products which are subject to anti-dumping duty during the Track Record Period.

However, we cannot assure you that the United States will not initiate trade protectionist measures in the form of anti-dumping duties, countervailing duties, taxes, trade laws, tariffs and regulatory requirements against our products in the future. In the event there is an anti-dumping measure or other trade sanctions imposed on our exported products by the United States, prices of our products exported to the United States could be increased, which in turn could result in a loss of our competitive advantage. Consequently, our export sales and profitability may drop, and hence adversely affect our business, results of operations and financial condition.

### **United States International Anti-Bribery Laws; the Foreign Corrupt Practices Act**

The Foreign Corrupt Practices Act (“FCPA”) is a U.S. statute that prohibits U.S. companies and individuals (anywhere in the world) from offering, authorising, promising, directing, or providing anything of value, to any non-U.S. government official, political party, party official, or candidate for foreign political office, for the purpose of influencing the non-U.S. official or party to assist the company in obtaining or retaining business or securing an improper business advantage. Individuals and companies may also be penalised if they order, authorise, or assist someone else to violate the anti-bribery provisions or if they conspire to violate those provisions. The U.S. government also asserts jurisdiction over foreign entities and individuals who take any act in furtherance of an FCPA violation while in the territory of the United States.

#### ***FCPA Penalties***

Under the anti-bribery provisions of the FCPA, any individual who willfully violates the FCPA may be liable for up to US\$10,000 in civil fines and up to US\$100,000 in criminal fines and may be imprisoned for up to five years. The FCPA prohibits indemnification of such individuals by companies. Companies may be liable for civil fines up to US\$10,000 and criminal fines up to US\$2 million. In addition, an FCPA violation could result in other adverse consequences such as investigations by the U.S. Department of Justice, suspension or debarment from the U.S. government contracts, revocation or suspension of export license privileges, shareholder lawsuits, disgorgement, and long-term damage to the company’s and individual’s reputation.

#### ***FCPA Provisions and What They Mean***

The FCPA prohibits payments or the offer of payments. A payment need not be completed for liability to attach under the FCPA. The mere offer or promise of a payment with corrupt intent can lead to a violation of the statute.

The FCPA prohibits payment of money or anything of value. The FCPA extends to payments of anything of value-not just cash. There is no minimum threshold or materiality requirement for corrupt payments.

---

## REGULATORY OVERVIEW

---

The FCPA prohibits both direct and indirect payments. In addition to direct payments to foreign government officials, indirect payments through an agent, partner, consultant, contractor, or any other third party may also give rise to liability. The FCPA prohibits payments to any person while “knowing” that any part of the proceeds will be provided to or otherwise used to influence the acts of a non-U.S. official. Further, willfully ignoring FCPA warning signs in an attempt to avoid gaining actual knowledge of a violation is not a valid defense. Similarly, any argument that bribes or improper payments are part of the business culture in a particular country or industry is not a valid defense.

The FCPA broadly defines “foreign officials.” Foreign officials are those officials who act as an elected official of a foreign government, act as an officer or employee of any government department, act as an employee, officer, or director of a state-owned or quasi-governmental enterprise, or act in an official capacity for or on behalf of a foreign government — even if that person is not employed by the government (for example, a government consultant). Employees of state-owned enterprises or government-controlled entities, as well as officials from public international organisations, also qualify as foreign officials.

Corrupt intent under the FCPA does not require *quid pro quo* agreement. The arrangement need not be of a “quid pro quo” nature to be corrupt. Any attempt to favorably influence foreign officials, even if that simply includes purchasing their good will, may be considered securing an improper advantage.

Exceptions to the FCPA for “facilitating payments”: The FCPA permits payments to foreign officials where the purpose of the payment is to expedite a “routine government action.” Routine government action refers to only those actions that are “ordinarily and commonly performed” by government officials. These payments cannot be made to influence any discretionary decision by an official and they must be allowed under local laws.

Exceptions for “reasonable and bona fide expenses”: The FCPA permits payments to foreign officials for reasonable and bona fide expenses directly related to a promotion, demonstration, or explanation of a company’s products and services.

## EU LAWS AND REGULATIONS

### Product Safety

There is extensive European Union legislation governing consumer protection, product safety and product liability implemented at national level in all member states. For example, The General Product Safety Directive 2001/95/EC (the “GPSD”) is designed to apply a high level of product safety for all products. It applies to any product intended for consumers or likely to be used by consumers placed on the EU market in so far as there are no specific EU provisions with the same objective governing the safety of the products concerned. The GPSD provides that producers are obliged to place only safe products on the market. In determining whether a product is considered safe under the GPSD, various factors are taken into account including the following: (i) national safety standards, (ii) guidelines from the European Commission on product safety, (iii) product safety codes of good

---

## REGULATORY OVERVIEW

---

practice in force in the sector concerned, (iv) the state of the art and technology and (v) reasonable consumer expectations concerning safety. The GPSD further provides that national governments must appoint local authorities to carry out market surveillance to ensure that safety standards are implemented.

Directive 85/374/EEC as amended by 99/34/EC (“Directive”) sets out principles that, when implemented by EU member states, apply to producers which include the manufacturer of a finished product or a component part, as well as a person that imports a product into the EU. The Group is therefore subject to the Directive. The Directive establishes a general principle that producers should be liable for damage caused by a product if it does not provide the safety which a person is entitled to expect. Therefore, the Group may be held liable for damage caused by its defective products to their end-users in the EU. To the best knowledge of the Directors having made reasonable enquiries, no legal claim has been made against the Group arising from product defects.

### **Consumer Protection**

The Liability for Defective Products (the “Directive 85/374/EEC”), a directive issued by the Council of the EU and issued on 25 July 1985, states that producers shall be held liable for damage caused by defects in their products to their product consumers. The Directive 85/374/EEC is important for all sellers in the EU as any defect in the goods leading to damage, defined as death or personal injury or damage to any item of property, can give rise to liability on parties in the chain between the manufacturer and sale of the defective goods.

### **Import duties**

One of the most important aspects of the EU trade policy is that the EU is the Customs Union Code, adopted on 9 October 2013 as Regulation (EU) No. 952/2013 of the European Parliament and of the Council. The same import duties are charged on imports from third countries regardless of the country of entry. The main principles of custom law are regulated at EU level. If tariff is common to all EU members, VAT rates vary from one state member to another. As the Group sells its product free on board (“FOB”) or ex-factory, it is not responsible for payment of import duties.

### **Anti-dumping**

Pursuant to the Council Regulation (EC) No. 1225/2009 of 30 November 2009 (the “Council Regulation”), the European Commission is responsible for investigating into allegations of dumping within the EU. It usually conducts an investigation either upon receipt of a complaint from producers of the product within the EU or on its own initiative. The investigation must show that (i) there is dumping pursuant to article 2 of the Council Regulation by exporting producers in the country/countries concerned; (ii) material injury has been suffered by the industry concerned within the EU; (iii) there is a causal link between the dumping and injury found; and (iv) the imposition of measures is not against the interest of the EU.

---

## REGULATORY OVERVIEW

---

If the investigation comes to the conclusion that the above four conditions have been met, the EU authorities may decide to impose anti-dumping measures on imports of the product concerned. These measures can be duties or price undertakings. The duties are paid by the importer in the EU and collected by the national customs authorities of the respective EU countries. Exporting producers may submit to the European Commission “undertakings” agreeing to sell at a price adequate to eliminate the injurious effects of the dumping, or to cease exports at dumped prices. If their offer is accepted, anti-dumping duties will not be imposed on imports. The European Commission is not obliged to accept an offer of an undertaking.

To the best information and knowledge of our Directors, we are not aware of any anti-dumping measures imposed on imports of our products into the EU. Our Directors confirm that any of such measures, if imposed, would be borne by our customers who are the importer of the products.

During the Track Record Period, we did not deliver our products directly to overseas retail consumers but instead deliver our products to our customers in Europe primarily on FOB terms and ex-factory in accordance to our customers’ specifications. It is our customers in Europe who were responsible for the registered customs entries of our products to Europe and they were responsible for ensuring that the products would meet the relevant laws and regulations in Europe (including import duties and anti-dumping regulations, etc.).

Accordingly, our Directors believe that our Group is not exposed to material liabilities as a result of any such regulation assuming the products we deliver meet our customers’ specifications.

---

## HISTORY, REORGANISATION AND GROUP STRUCTURE

---

### OVERVIEW

Our history can be traced back to the 1980s when Pantene Industrial was incorporated on 30 December 1983. At the time, the founders were Mr. Lam Yin Kee, Mr. Ho Che Kong and Mr. Leung Wai Chuen, each of whom subscribed one share in Pantene Industrial. Prior to establishing the Group, the founders had several years of purchasing, management, marketing and production experience in the electronics industry. During its early stage, Pantene Industrial initially started off its business as an OEM manufacturer, principally engaged in the manufacturing and trading of power-related electrical and electronic products according to standard specifications provided by our customers, which includes power tool chargers, battery chargers, voltage converters for sale to both Hong Kong and overseas customers. Since 1985, the Group's operations have been based in Shenzhen, Guangdong Province, the PRC. Our Group also has a design engineering department in the PRC since early 1990s, which is responsible for the electronic and electrical design engineering of our products. Pantene Industrial became wholly-owned by the Company on 1 March 1992.

In the 1990s, Pantene Industrial started supplying mobile phone battery chargers to a then renowned multinational mobile phone manufacturing company. Pantene Industrial also supplied battery chargers to Customer B, a German engineering and electronics company, which is still one of our five largest customers during the Track Record Period.

The Group, from 1996 to 2002, had been highly focused on the large-scale production of a single product, i.e. linear voltage converters. The Group's existing production facility (including the plant design and production flows) in the Songgang Factory, which commenced production in 1995, was designed to cater for the large scale production of a single product.

After 2000, the Group expanded its range of production on an OEM basis to meet changing market conditions. During the same period, there was also a growth in the EMS industry, driven by our customers' demands for the Group to design products according to the customers' specifications. In the years between 2001 and 2004, the Group has developed from an OEM of power-related electrical and electronic products to become an EMS manufacturer whereby the Group's engagement with customers started from the initial design stage to production, assembly, quality control, packaging and shipping services, with customer-manufacturer collaborations and input right from the initial stage.

During the 21st century, the PRC Government started encouraging industries, particularly in Southern China and Shenzhen, to move from the OEM model to model with higher added value. In order to implement the Group's shift in focus from the OEM model to the EMS model, the Group has refined the product design and production process by equipping itself with a wide variety of design, engineering and manufacturing capabilities in order to offer a complete EMS services package to its customers.

---

## HISTORY, REORGANISATION AND GROUP STRUCTURE

---

During the years 2000 to 2004, the Group also started expanding its customer base. Pantene Industrial started supplying solenoid coils to Customer A and Controller PCBA to Customer C, both of which are still our five largest customers during the Track Record Period. In 2005, our Group established Pantene USA to provide after-sales support to our U.S. customers, including Customer A and Customer D.

In 2006, our Group purchased, set up and implemented an advanced and industry standard SAP business system, which is an advanced business management software, as an ERP solution (enterprise resources planning), which aims to automate key business functions like finance, inventory and production. The implementation of our SAP business system helped to increase the business and manufacturing efficiency of the Group.

Over the decades, our Group developed from an OEM manufacturer of electronic power supplies and transformed to become a EMS provider in the years between 2001 to 2004. We develop, produce, sell and market a wide range of power-related and electrical or electronic products, including solenoid coils, battery charger solution and power supply, LED lighting and others. As at the Latest Practicable Date, our sales covered countries and regions around the globe, mainly in the U.S., Germany, Japan and the PRC.

The following sets forth the important milestones in the development of the business of our Group up to the Latest Practicable Date:

<b>Year</b>	<b>Event</b>
1983	Pantene Industrial was established.
1985	Our Group started manufacturing products in Shenzhen, engaging in the manufacturing and trading of power-related supplies on an OEM basis.
1990	<p>Pantene Industrial started supplying power supply related products to Customer B, which is now our leading customer of power-tools chargers in Europe.</p> <p>Pantene Industrial received an award from Customer B, our second largest customer during the Track Record Period, in recognition of our outstanding service of supply and quality.</p> <p>The Company started supplying mobile phone battery chargers to a then renowned multinational mobile phone manufacturing company.</p>
1992	<p>The Company became the shareholder of Pantene Industrial.</p> <p>Pantene Industrial received an award from one of its then largest customers, who was a then renowned multinational mobile phone manufacturing company for being one of the top 20 suppliers for world class quality and service.</p>

---

## HISTORY, REORGANISATION AND GROUP STRUCTURE

---

Year	Event
1994	<p>Our Group became part of UPI (stock code: 0176), a company which was listed on the Main Board of the Stock Exchange on 28 April 1994.</p> <p>Shenzhen Pantai was established through a cooperation agreement entered into between Pantene Industrial and Shenzhen Hengzhao Industrial Development Company (深圳市寶安區松崗鎮恒兆工業發展公司) (“Shenzhen Hengzhao”) on 2 February 1994.</p>
1999	Pantene Industrial received a Supplier of the Year Award from Customer B.
2000	We obtained our first ISO14001:2004 Certificate relating to environmental management systems, which is applicable to the production and servicing of metal, plastic parts, cord set, cable, tooling, electric shavers, transformers, switching mode chargers, battery chargers and AC adaptors.
2001	Our Group started supplying solenoid coils to Customer A, our largest customer during the Track Record Period.
2005	<p>Pantene Industrial and Shenzhen Hengzhao terminated the cooperation agreement in relation to Shenzhen Pantai; and Shenzhen Hengzhao transferred its interests in Shenzhen Pantai to Pantene Industrial. As a result, Shenzhen Pantai became a wholly foreign-owned enterprise as to 100% owned by Pantane Industrial.</p> <p>Pantene USA was established to provide after-sales customer support to the Group’s U.S. customers.</p>
2006	<p>Pantene Industrial purchased, set up and implemented an advanced and industry standard SAP business system.</p> <p>Pantene Industrial received a Supplier Recognition for Best Overall Performance in Division Commodity Charger from Customer B.</p>
2010-2011 and 2013	Pantene Industrial received an Exceptional Supplier Award from Customer E.
2013	Our Group renewed its tenancy agreement with an Independent Third Party, Songgang Hengzhao, on the lease of factories located at Hengzhao Industrial Estate, Songgang Town, Bao’an District, Guangdong Province, the PRC, for a period of three years.
2014	UPI (stock code: 0176) sold our Group by way of share transfer to New Wave, a company beneficially owned by Mr. Hsu, who is the Company’s non-executive Director and chairman.

---

## HISTORY, REORGANISATION AND GROUP STRUCTURE

---

### Previous listing of our business on the Stock Exchange

Up until 30 May 2014, the Group was owned by UPI (stock code: 0176), a company listed on the Main Board of the Stock Exchange.

On 8 February 2014, New Wave entered into a sale and purchase agreement with UPI (stock code: 0176) to acquire all of the then issued shares of the Company and corresponding shareholder's loans. The total cash consideration was approximately US\$22.5 million (equivalent to approximately HK\$175.1 million) comprising approximately US\$20.8 million (equivalent to approximately HK\$161.7 million) in respect of the sale shares and approximately US\$1.7 million (equivalent to approximately HK\$13.4 million) in respect of the shareholder loans. On 30 May 2014, the disposal was completed. At that time, the Company and its subsidiaries ceased to be subsidiaries of UPI (stock code: 0176). The source of funding for New Wave's acquisition was from SNH Global and other subsidiaries of SNH Global which obtained bank loans from an international bank.

Following the completion of the aforementioned disposal, Mr. Hsu resigned as executive director of UPI (stock code: 0176) with effect from 30 May 2014. Mr. Lim also resigned as executive director and chief executive officer of UPI (stock code: 0176), both with effect from 1 October 2014.

### CORPORATE HISTORY

The following sets forth the corporate development of each member of our Group since their respective dates of incorporation.

#### Our Company

Our Company is an investment holding company originally incorporated with the name of Yanky Investment Limited in the BVI as an International Business Company with limited liability on 27 December 1990 with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1.00 par value each. On 28 October 1991, 66 and 34 ordinary shares of US\$1.00 par value each in the Company were issued and allotted fully paid to the initial subscribers, being HDL Investment ("HDL Investment") and Starlight Industrial Holdings Limited ("Starlight Industrial"), respectively, at par value. HDL Investment and Starlight Industrial are both Independent Third Parties.

On 25 March 1992, the Company changed its name to Pantronics Holdings Limited. On 28 March 1993, another 66 and 34 ordinary shares of US\$1.00 par value each in the Company were issued and allotted fully paid to the initial subscribers, respectively, at par value, being HDL Investment and Starlight Industrial. On 28 March 1994, Starlight Industrial and HDL Investment transferred 68 and 132 ordinary shares of US\$1.00 par value each in the Company respectively to UPI (stock code: 0176) at par (formerly known at that time as All Pantronics Holdings Limited, and currently a listed company on the Main Board of the Stock Exchange with stock code: 0176). Such transfers were legally completed on the same date. On 30 May 2014, the 200 ordinary shares of US\$1.00 par value each in

---

## HISTORY, REORGANISATION AND GROUP STRUCTURE

---

the Company held by UPI (stock code: 0176) were sold by UPI (stock code: 0176) to New Wave. The Company further changed its name with an addition of a Chinese name 桐成控股有限公司 on 19 November 2015.

On 15 January 2016, pursuant to the written resolutions of the sole Shareholder of the Company, the maximum number of Shares that the Company was authorised to issue was changed to 50,000,000 Shares of a par value of HK\$0.001 each. At that time, 200,000 Shares were issued and allotted to New Wave at par, whilst the 200 ordinary shares of US\$1.00 par value each in the Company originally held by New Wave were repurchased by the Company and cancelled. On 29 March 2016, pursuant to the written resolutions of the sole Shareholder of the Company, the Company further increased the maximum number of Shares that it is authorised to issue to 500,000,000 Shares at a par value of HK\$0.001 each.

### **Pantene Industrial**

Pantene Industrial was incorporated in Hong Kong with limited liability on 30 December 1983. Pantene Industrial is principally engaged in the design and sale of electronic and electrical product such as electronic power supplies, battery chargers, solenoid coils, LED and other products and is the Group's founding OEM service provider. Each of the initial subscribers, Mr. Lam Yin Kee, Mr. Ho Che Kong and Mr. Leung Wai Chuen were issued one share in Pantene Industrial. The initial subscribers are Independent Third Parties.

On 5 January 1984, Pantene Industrial allotted and issued 1,997 shares, out of which each of Mr. Lam Yin Kee, Mr. Ho Che Kong and Mr. Leung Wai Chuen were allotted and issued as fully paid 799, 799 and 399 shares, respectively, at a consideration of HK\$79,900.00, HK\$79,900.00 and HK\$39,900.00 based on the share value of HK\$100.00 each, respectively.

On 28 November 1986, 6,000 shares of HK\$100.00 each were allotted and issued as fully paid to Mr. Leung Wai Chuen.

On 19 July 1991, Mr. Leung Wai Chuen transferred 2,400 shares to each of Mr. Lam Kin Yee and Mr. Ho Che Kong at a consideration of HK\$24,000.00. The shareholding of Pantene Industrial was thereafter held by Mr. Lam Yin Kee (being 3,200 shares), Mr. Ho Che Kong (being 3,200 shares) and Mr. Leung Wai Chuen (being 1,600 shares).

On 30 October 1991, each of Mr. Ho Che Kong, Mr. Lam Yin Kee and Mr. Leung Wai Chuen further transferred 1,088, 1,088 and 544 shares they held to Starlight Industrial at a consideration of HK\$108,800.00, HK\$108,800.00 and HK\$54,400.00, respectively. Starlight Industrial thereby held 2,720 shares in Pantene Industrial.

On 1 March 1992, 99 and one share of HK\$100.00 each were allotted and issued as fully paid to the Company and Mr. Ho Che Kong, respectively.

Thereafter the shareholding of Pantene Industrial was held by Mr. Ho Che Kong (2,113 shares), Mr. Lam Yin Kee (2,112 shares), Mr. Leung Wai Chuen (1,056 shares), Starlight Industrial (2,720 shares) and the Company (99 shares).

---

## HISTORY, REORGANISATION AND GROUP STRUCTURE

---

On 2 March 1992, the board of Pantene Industrial resolved that each of the 8,000 issued shares of HK\$100.00 each in the share capital of Pantene Industrial be converted into 5% non-voting deferred shares of HK\$100.00 each. Under such arrangement, upon conversion, Mr. Ho Che Kong held 2,112 of 5% non-voting deferred shares, Mr. Lam Yin Kee held 2,112 of 5% non-voting deferred shares, Mr. Leung Wai Chuen held 1,056 of 5% non-voting deferred shares and Starlight Industrial held 2,720 of 5% non-voting deferred shares.

On 2 March 1992, each of the 100 issued shares of HK\$100.00 each of Pantene Industrial registered in the name of the Company (99 shares) and Mr. Ho Che Kong (1 share) were designated as ordinary shares.

On 19 March 1999, the following share transfers were made simultaneously:-

- (a) Mr. Lam Yin Kee transferred 2,112 of 5% non-voting deferred shares to Mr. Ho Che Kong;
- (b) Starlight Industrial transferred 1,610 of 5% non-voting deferred shares to Mr. Leung Wai Chuen;
- (c) Starlight Industrial further transferred 1,110 of 5% non-voting deferred shares to Mr. Ho Che Kong.

After the above share transfers on 19 March 1999, Mr. Ho Che Kong thereby held altogether 5,334 of 5% non-voting deferred shares after the share transfer; Mr. Leung Wai Chuen held 2,666 of 5% non-voting deferred shares; Starlight Industrial no longer held any 5% non-voting deferred shares in Pantene Industrial.

On 9 June 2003, Mr. Ho Che Kong transferred the legal title of one ordinary share to Best Success Investment Limited (“Best Success”) which was held on trust for the Company by a declaration of trust and power of attorney dated 25 June 2003 and stamped on 30 June 2003.

On 4 March 2005, by two Memorandum of Contract Terms, Pantene Industrial repurchased from Mr. Ho Che Kong and Mr. Leung Wai Chuen 5,334 and 2,666 of 5% non-voting deferred shares, respectively.

On 30 May 2014, Best Success transferred one share to the Company. Thus, at the Latest Practicable Date, the Company is the sole legal and beneficiary holder of all of the 100 issued shares in Pantene Industrial.

### **Shenzhen Pantai**

Shenzhen Pantai was established in the PRC as a sino-foreign cooperative enterprise on 9 April 1994 with a registered capital of US\$700,000.00. The principal activities of Shenzhen Pantai include the manufacturing and sale of electronic and electrical products like electronic power supplies, battery chargers, solenoids, LED and other products at the Songgang Factory. As at the Latest Practicable Date, Shenzhen Pantai is 100% owned by Pantene Industrial and the legal representative is Mr. Lim.

---

## HISTORY, REORGANISATION AND GROUP STRUCTURE

---

Shenzhen Pantai was established through a cooperation agreement entered into between Pantene Industrial and Shenzhen Hengzhao on 2 February 1994. Pantene Industrial was responsible for paying up the initial registered capital of US\$700,000, while Shenzhen Hengzhao was responsible for providing factories and staff dormitories.

On 14 March 1994, Shenzhen Pantai obtained Approval for the setting up of Sino-foreign Cooperative Enterprise (關於設立中外合作經營企業“深圳品泰電子有限公司”的批覆(深外資辦復[1994] 184號)) and the State Administration for Industry and Commerce issued the business license to Shenzhen Pantai on 9 April 1994.

In March 1996, the registered capital of Shenzhen Pantai was increased from US\$700,000.00 to US\$1,700,000.00 as a result of the capital contributions by Pantene Industrial.

On 4 November 2004, Pantene Industrial and Shenzhen Hengzhao entered into an agreement (“Transfer Agreement”), pursuant to which (i) Pantene Industrial and Shenzhen Hengzhao agreed to terminate their cooperation on Shenzhen Pantai and (ii) Shenzhen Hengzhao transferred its interests in Shenzhen Pantai to Pantene Industrial at a consideration of HK\$6,184,010.00. Upon the completion of the transfer of interests pursuant to the Transfer Agreement on 1 March 2005, Shenzhen Pantai became a wholly foreign-owned enterprise of Pantene Industrial.

### **Grace Harvest**

Grace Harvest was incorporated in Hong Kong with limited liability on 8 July 2014. The principal business of Grace Harvest is the provision of management services. As at the date of incorporation, one share was issued and allotted fully paid to the initial subscriber, an Independent Third Party. On 30 July 2014, the initial subscriber transferred the one share to Mr. Hsu at a consideration of HK\$1.00. On 1 October 2014, Mr. Hsu transferred the one share to the Company at a consideration of HK\$1.00 based on the par value.

### **Pantene USA**

Pantene USA was incorporated in the State of Illinois, the United States with limited liability on 26 August 2005. Pantene USA is principally engaged in after-sales customer support to the Company’s U.S. customers. As at the date of incorporation, it had an authorised share capital of 50,000 shares with no par value, of which 25,000 shares were issued and allotted fully paid to Pantene Industrial. The shareholding and capital remained unchanged since incorporation.

### **Pantronics International**

Pantronics International was incorporated in Hong Kong with limited liability on 1 July 1993. Pantronics International is an intermediate holding company which holds the entire equity interest of Pin Xin.

As at the date of incorporation, it had an authorised share capital of HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each, of which two shares were issued and allotted as fully paid to two initial subscribers, who are Independent Third Parties, at par and such allotment and issuance of shares

---

## HISTORY, REORGANISATION AND GROUP STRUCTURE

---

were legally completed on 1 July 1993. On 1 September 1993, one share was allotted to Mr. Leung Wai Chuen, three shares to Mr. Ho Che Kong and four shares to Mr. Lam Yin Kee, all at a consideration of HK\$1.00 per share. On 24 November 1993, each of the initial subscribers transferred one share to each of Mr. Leung Wai Chuen and Mr. Ho Che Kong, respectively at a consideration of HK\$1.00 based on the par value. On 26 January 1995, both Mr. Leung Wai Chuen and Mr. Lam Yin Kee transferred all their shares and Mr. Ho Che Kong transferred three shares to the Company at an aggregate consideration of HK\$2.00, HK\$4.00 and HK\$3.00, respectively at the par value of such shares. On 25 June 2003, the remaining share held by Mr. Ho Che Kong was transferred to Best Success, who transferred that one share to the Company on 30 May 2014. Both transfers were at a consideration of HK\$1.00 based on the par value.

### **Panjet Service**

Panjet Service (formerly known as Penawagen Limited since the date of incorporation with its name changed to AMCORP Capital Corporation Limited on 19 March 1991, and then to the current one on 7 April 1992), was incorporated in Hong Kong with limited liability on 15 January 1991 with an authorised share capital of HK\$10,000.00 of which two shares were allotted and issued as fully paid to each of the two initial subscribers which are also Independent Third Parties. On 7 July 1992, the two shares were transferred from the initial subscribers to Mr. Ho Che Kong and the Company (known as Yanky Investment Limited at that time), respectively. In relation to the transfer from Camceb Limited to Mr. Ho Che Kong, only the legal title of the one share was transferred by a signed and stamped instrument of transfer on 7 July 1992, whereas the beneficial title of the one share was transferred to the Company by a signed and stamped bought and sold notes on the same date. On 25 June 2003, Mr. Ho Che Kong transferred the legal title to the one share it holds to Best Success at a consideration of HK\$1.00 based on the par value. By a declaration of trust and power of attorney dated 25 June 2003 and stamped on 30 June 2003, Best Success declared that the one share was held on trust for the Company. Best Success remained the legal owner of Panjet Service.

On 22 December 2014, Best Success transferred the legal title of the one share in Panjet Service back to the Company at a consideration of HK\$1.00 at par value and thereby as at the Latest Practicable Date, the Company is the sole legal and beneficial shareholder of Panjet Service.

Panjet Service will be used as the investment holding company of the majority equity interests in the planned joint venture with Customer A. For more details, please refer to the section headed “Business — Business strategies” in this prospectus.

### **Panjet BVI**

Panjet BVI (formerly known as Willow Assets Limited, with its name changed to the current one on 20 October 1992), was incorporated in the BVI with limited liability on 18 August 1992. The principal activity of Panjet BVI is investment holding. As at the date of incorporation, it had an authorised share capital of US\$50,000.00 divided into 50,000 shares of US\$1.00 each, of which one ordinary share was issued and allotted as fully paid to the initial subscriber, the Company. There was no change in the capital and shareholding of Panjet BVI since its incorporation.

---

## HISTORY, REORGANISATION AND GROUP STRUCTURE

---

### **Pantronics BVI**

Pantronics BVI (formerly known as Edion Inc., with its name changed to the current one on 26 March 1992), was incorporated in the BVI with limited liability on 22 July 1991. The principal activity of Pantronics BVI is investment holding. As at the date of incorporation, it had an authorised share capital of US\$50,000.00 divided into 50,000 shares of US\$1.00 each, of which one share was issued and allotted fully paid to the initial subscriber, the Company. The share capital and shareholding of Pantronics BVI has remained unchanged since its incorporation.

### **Pin Xin**

Pin Xin (formerly known as Universal Grand International Limited (宇建國際有限公司), with its name changed to the current one on 27 June 1995), was incorporated in Hong Kong with limited liability on 29 November 1994. The principal activity of Pin Xin is investment holding. As at the date of incorporation, it had an authorised share capital of HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each, of which one share was issued and allotted fully paid to each of the two initial subscribers, being Project Management Limited and Pioneer Secretaries Limited, respectively. On 1 June 1995, Pin Xin increased its authorised share capital to HK\$50,000 divided into 50,000 shares of HK\$1.00 each.

On 31 May 1995, the subscribers respectively transferred the shares to Pantronics International and Energy Concept Industries Limited (“Energy Concept”). The transfer was legally completed on 1 June 1995. On the same day, 4,999 shares were issued and allotted to Pantronics International and another 4,999 shares were issued and allotted to Energy Concept.

On 5 July 1999, Energy Concept transferred one share to Mr. Ho Che Kong at a consideration of HK\$1.00 and transferred 4,999 shares to Pantronics International at a consideration of HK\$129,955.00. On 25 June 2003, one share was transferred from Mr. Ho Che Kong to Best Success. By a declaration of trust and power of attorney dated 25 June 2003, Best Success declared that the one share was held on trust for the Company. This share was transferred to Pantronics International on 30 May 2014 at a consideration of HK\$1.00 based on the par value. Pantronics International remains as the sole shareholder of Pin Xin as at the Latest Practicable Date.

### **Pan Electrium**

Pan Electrium was incorporated in Hong Kong with limited liability on 4 March 1998. Its principal business is investment holding.

As at the date of incorporation, it had an authorised share capital of HK\$5,000,000.00 divided into 5,000,000 shares of HK\$1.00 each, of which one share was issued and allotted fully paid to each of the two initial subscribers, being Offshore Incorporations Limited and Well Held Limited, respectively.

---

## HISTORY, REORGANISATION AND GROUP STRUCTURE

---

On 16 June 1998, each of the initial subscribers transferred one share to Marbo Limited and Pantene Industrial, respectively. On 17 June 1998, Pan Electrium issued and allotted 2,499,999 fully paid shares to each of Marbo Limited and Pantene Industrial.

By a share purchase agreement dated 6 March 2002, on 3 April 2002, Marbo Limited transferred one share to Mr. Ho Che Kong at a consideration of HK\$1.00. Such a share was, by a declaration of trust dated 3 April 2002 and stamped on 10 July 2002, held by Mr. Ho Che Kong on trust for Pantene Industrial. Under the same agreement, on 3 April 2002, Marbo Limited transferred 2,499,999 shares to Pantene Industrial at a consideration of HK\$119,999.00. Both transfers were legally completed on 10 April 2002.

On 25 June 2003, Mr. Ho Che Kong transferred the legal title of one share to Best Success, which by a declaration of trust and power of attorney dated the same date and stamped on 25 June 2003, was held on trust for Pantene Industrial. On 18 December 2014, the legal title was transferred back to Pantene Industrial.

### **Disposal of Pantene Philippines**

Pantene Philippines was incorporated in the Philippines as a limited liability company on 4 September 1996 with a registered capital of 15,000,000.00 Pesos divided into 150,000 shares, with a par value of 100.00 Pesos per share, and a corporate term of 50 years. Pantene Philippines was initially set up by Pantene Industrial as a manufacturer of adaptors and transformers. Pantene Industrial is the largest shareholder of Pantene Philippines, holding approximately 85% of all of the issued shares. Since Pantene Philippines had remained inactive, Pantene Industrial decided to dispose of Pantene Philippines by way of assignment.

Based on its audited financial statements for the years ended 31 March 2013, 2014 and 2015, Pantene Philippines has not recorded any revenue or costs for the aforementioned years. By a deed of assignment dated 20 April 2016, Pantene Industrial agreed to transfer its shareholding in Pantene Philippines and assign a loan amount due to an affiliate of Pantene Philippines as of 31 March 2015 in the amount of 3,202,568.00 Pesos to an Independent Third Party at a cash consideration of US\$1.00, for the negative net book value of Pantene Philippines of 8,692,298 Pesos as at 31 March 2015. Under the said deed of assignment, the assignee shall assume all the liabilities exposure of and/or claims against Pantene Industrial in connection with Pantene Philippines.

As advised by our Philippines Legal Advisers, the required documentary stamp taxes were paid to the Philippine Bureau of Internal Revenue on 28 July 2016 and the Certificate Authorising Registration of the said share transfer was issued by the Philippine Bureau of Internal Revenue on 13 September 2016. A new share certificate was also issued in favor of the assignee. As advised by our Philippines Legal Advisers, the transfer was legally completed on 26 October 2016 and Pantene Industrial has therefore completely disposed of its shareholdings in Pantene Philippines.

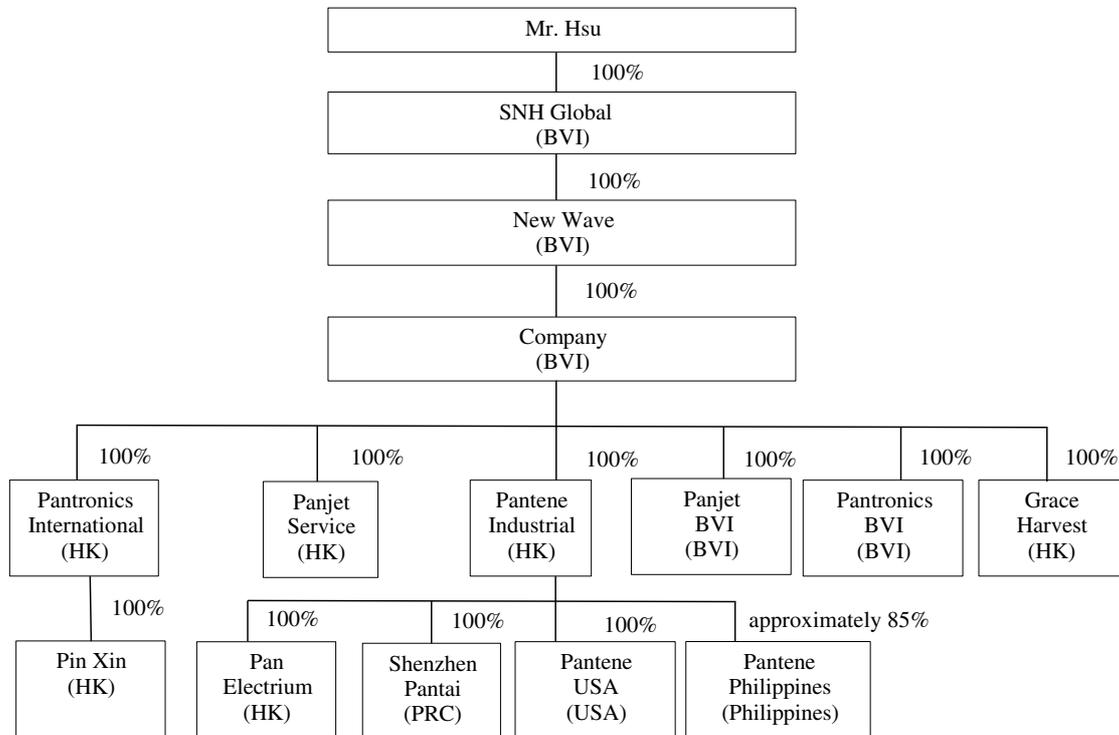
---

## HISTORY, REORGANISATION AND GROUP STRUCTURE

---

### CORPORATE STRUCTURE

The following diagram shows the shareholding and corporate structure of our Group immediately before Reorganisation:



---

## HISTORY, REORGANISATION AND GROUP STRUCTURE

---

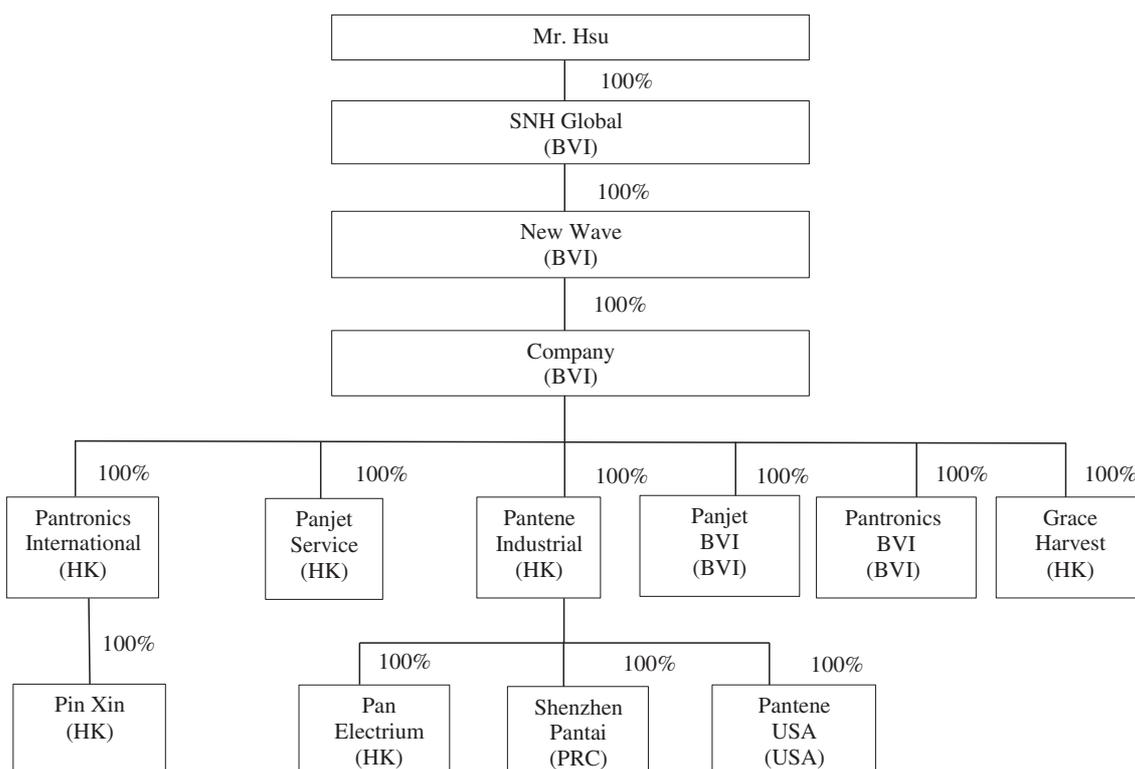
### REORGANISATION

The Reorganisation consisted of the following major steps:

#### Disposal of Pantene Philippines

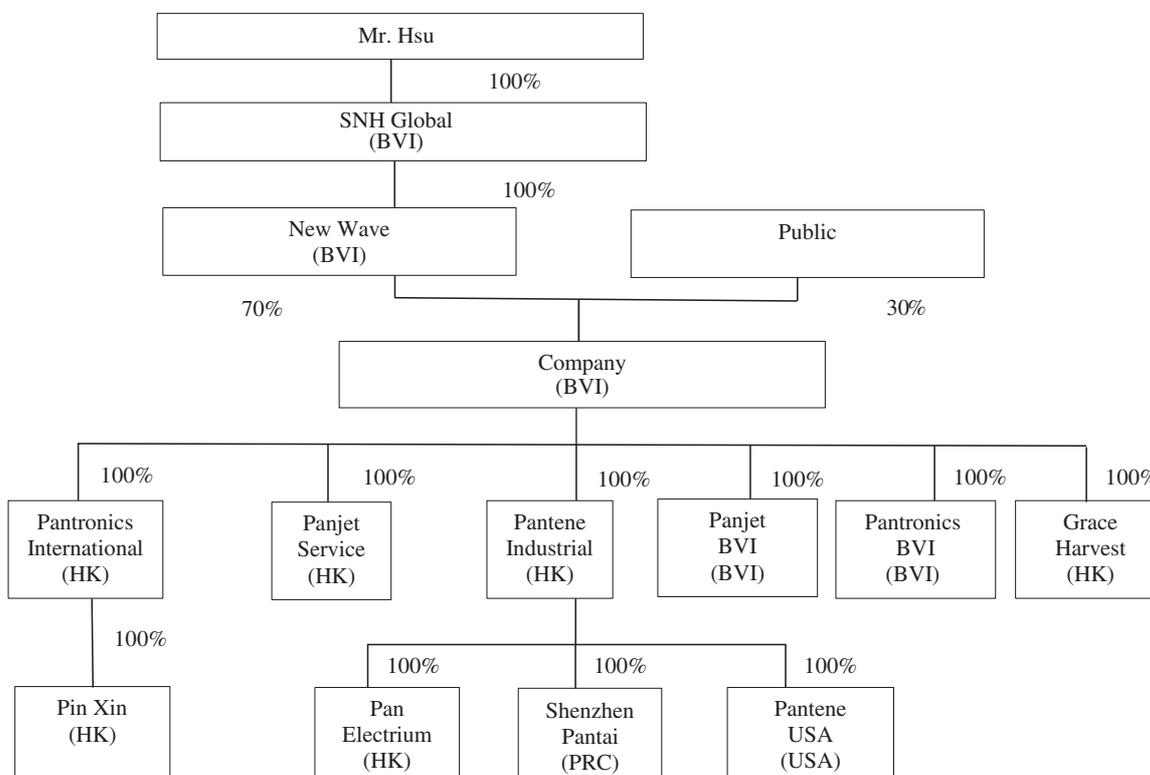
On 20 April 2016, Pantene Industrial entered into a deed of assignment with an Independent Third Party, which amongst other things, transferred approximately 85% of all the issued shares in Pantene Philippines to the assignee. As the said transfer has been legally completed on 26 October 2016, Pantene Philippines has ceased to be an indirect subsidiary of the Company. For more details, see the paragraph headed “Corporate History - Disposal of Pantene Philippines” under this section.

As at the Latest Practicable Date, the above steps of the Reorganisation have been legally completed. The follow diagram shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Capitalisation Issue:



## HISTORY, REORGANISATION AND GROUP STRUCTURE

The following diagram shows the shareholding and corporate structure of our Group immediately after completion of the Capitalisation Issue and the Share Offer (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):



Panjet Service, Pan Electrium, Panjet BVI and Pantronics BVI were established in the 1990s when the Group was owned by UPI (stock code: 0176).

Upon the completion of disposal by UPI (stock code: 0176) in May 2014, the Group has continued to retain these investment companies. They have been inactive during the Track Record Period and the costs to maintain these companies are immaterial. The Group intends to use these companies to facilitate potential acquisition and expansion plans in different geographic locations in the future.

Panjet Service will be used as the investment holding company of the planned joint venture company to be formed with Customer A.

---

## HISTORY, REORGANISATION AND GROUP STRUCTURE

---

### COMPLIANCE WITH PRC LAWS

#### M&A Rules

Under the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors in the PRC (關於外國投資者併購境內企業的規定) (the “M&A Rules”), the merger and acquisition of the domestic companies by foreign investors means that the foreign investors purchase or subscribe for the equity or shares of a non-foreign invested PRC company or that the foreign investors establish a foreign invested PRC company to acquire or operate the assets of a non-foreign-invested PRC company by agreement. The M&A Rules further provide that (i) the acquisition of the non-foreign-invested PRC company by its affiliated foreign investors which were established or controlled by the PRC individuals or the PRC companies shall be subject to the approval from the Ministry of the Commerce of the PRC (“MOFCOM”); (ii) the establishment of a special purpose vehicle, which is directly or indirectly controlled by the PRC individuals or the PRC companies for the purpose of overseas listing (the “SPV”), shall be subject to the MOFCOM approval; (iii) the acquisition of the non-foreign-invested PRC companies by the SPV shall be subject to the MOFCOM approval; and (iv) the offshore listing of SPV shall be subject to the prior approval from the China Securities Regulatory Commission.

Our PRC Legal Advisers are of the opinion that neither New Wave’s acquisition of the entire issued capital of the Company in 2014 (the “Acquisition”) nor the Listing apply to the M&A Rules, for the reasons that (i) our PRC subsidiary, i.e. Shenzhen Pantai, was a wholly foreign-owned company in the PRC rather than a non-foreign-invested PRC company before the Acquisition and remains a wholly foreign-owned company after the Acquisition; and (ii) the controlling shareholder of our Company, Mr. Hsu, is a Hong Kong permanent resident rather than a PRC individual resident and thus our Company is not a SPV under the M&A Rules.

#### SAFE Circular 37

According to the Circular of the State Administration of Foreign Exchange on Issues Concerning the Administration of Foreign Exchange in Offshore Investments and Financing and Return Investments by Domestic 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 “SAFE Circular 37”), PRC entities or individual residents are required to register with the local branch of SAFE before they could invest in special purpose vehicles with legitimate assets or equity interests inside and outside the PRC. Failure to comply with the registration procedures set forth in the SAFE Circular 37 may result in restrictions imposed on the subsequent foreign exchange activities of the relevant PRC entities or individuals, including the remitting back of dividends and profits.

As our controlling shareholder, i.e. Mr. Hsu, is a Hong Kong permanent resident rather than a PRC individual resident, our PRC Legal Advisers are of the opinion that the SAFE Circular 37 does not apply to the Acquisition and the Listing.

---

## BUSINESS

---

### BUSINESS OVERVIEW

Headquartered in Hong Kong, we began our business as an OEM manufacturer over 30 years ago and, between the years 2001 and 2004, we have evolved to become a manufacturer in the EMS industry. We manufacture power-related electrical and electronic products, including solenoid coils, battery charger solution and power supply, LED lighting and others such as PCBA and parts assembly. With the customers' specifications, we provide design and engineering solutions as well as manufacture products for our customers in our Songgang Factory, which are then sold by our customers under their own brand names. Among our products, the sales of solenoid coils was our largest source of income which accounted for approximately 32.9%, 40.7%, 41.3% and 34.1% of our revenue for each of the three years ended 30 September 2015 and the eight months ended 31 May 2016, respectively. For more details, please refer to the subsection headed "Products" in this section.

We offer our customers a spectrum of manufacturing services encompassing design, prototyping, mould and die making, multi-skilled manufacturing processes, general assembly and packaging. Our key manufacturing capabilities include metal stamping, plastic injection moulding, SMT and electronic assembly. Equipped with a broad range of production capabilities and multi-production lines, we are capable of manufacturing a wide range of products. During the Track Record Period, our Group developed, produced and sold about 286 different specifications of solenoid coils, 155 different specifications of battery charger solution and power supply and 307 different specifications of LED lighting products.

Our production facilities are located in Songgang, Shenzhen, Guangdong Province, the PRC, with a total gross floor area of approximately 23,000 sq.m.. Our production base comprises a metal stamping workshop, a plastic injection workshop, two high frequency transformer assembly lines, three SMT production lines, two PCBA manual insertion lines and five final assembly lines. In addition, we have a solenoid coil production unit which comprises two winding assembly lines equipped with nine vertical injection over-molding machines. Through years of cooperation with well-known international brands, we have improved the production efficiency and manufacturing quality in respect of our products, and our production expertise has met the international quality standards and customers' requirements. As at 31 May 2016, we had 838 employees.

We manufacture solenoid coils for our largest customer, Customer A, which is an internationally renowned company based in the U.S.. Our other customers include several internationally reputable companies in Germany and Japan.

For the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, our total revenue was approximately HK\$325.2 million, HK\$334.5 million, HK\$327.6 million and HK\$179.3 million, respectively. For the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, our net profit was approximately HK\$23.2 million, HK\$30.2 million, HK\$33.2 million and HK\$5.6 million respectively.

---

## BUSINESS

---

In view of the development of technology, customers' demand for quality and product specifications, our Directors believe that continual advancement in engineering development and production capability is important for satisfying customers' demand and maintaining our Group's competitiveness in the EMS industry. As such, our Group has an engineering team of 21 engineers. This team co-develops products with our customers by providing design and engineering support according to their needs and requirements.

### COMPETITIVE STRENGTHS

Our Directors consider that we possess the following competitive strengths:

#### **We possess a broad range of production capabilities and are able to respond and adapt to technological advancements and changes in market environment**

We offer a wide range of manufacturing services to meet our customers' needs including design, prototyping, mould and die making, multi-skilled manufacturing processes, general assembly and packaging.

Our engineering services include engineering design, prototyping and tool making. We have a dedicated team of experienced engineers in mechanical, manufacturing, and electronic engineering. We also have an in-house mould shop with modern computerised mould-making equipment. In addition to hardware, we have experienced mould and die designers for subsequent mass production. Equipped with a broad range of production capabilities and multi-production lines, we are capable of manufacturing diversified products.

Our Directors believe that our broad range of production capabilities together with our experienced engineers give us a competitive edge in engineering development and production, and enable us to adapt quickly to changing market demands and have allowed us to retain existing customers, attract new customers and remain competitive in the market, thus supporting our continuous business growth and development.

#### **We have established stable relationships with our major customers**

Our Group has established strong and close working relationships with our reputable customers. As at the Latest Practicable Date, we have been maintaining business relationships with our five largest customers for a range of approximately five to 14 years, of which our business relationship with our largest customer, Customer A, an internationally renowned manufacturing company based in the U.S., has been ongoing for more than 10 years.

We believe that the length of business relationship with our customers is an indication of their recognition of the quality of our services and we consider this recognition and goodwill is a key factor leading to the Group's success in our industry.

---

## BUSINESS

---

### **We are a long-standing and well-established EMS manufacturer with origins as an OEM manufacturer**

With our origins going back to the 1980s, we are a long-standing, well-established Hong Kong-based company with manufacturing and design capabilities in China. Between the years 2001 and 2004, our business model has transformed from an OEM model to an EMS model. Our relationships with our customers and suppliers, are testament to our focus on fostering long-term and trusted relationships.

We believe that the longevity of our history is an important part in our commercial success and ability to deliver a quality service to our customers.

### **We have an experienced and capable management team**

We believe that our experienced and capable management team, led by Mr. Lim and Mr. Ho Hon Ching, is a key to our growth and success. Mr. Lim, our executive Director and chief executive officer, has over 30 years of invaluable experience in international management and he has been leading our business with his acute commercial vision which has contributed to our growth and development. Mr. Ho Hon Ching, our executive Director and chief operating officer, has more than 35 years of experience in the related manufacturing industry. He oversees our operations at the Songgang Factory to ensure that we maintain the highest standard of product quality and efficiency. His experience also gives us a competitive edge in formulating successful strategies.

In addition to Mr. Lim and Mr. Ho Hon Ching, we boast a senior production, engineering and procurement management team, which has over 25 years of service on average with our Group. This dedicated and experienced team supports our executive members in the day to day running of the business and its strategic direction.

We believe that the extensive experience of our management team and their industry knowledge and in-depth understanding of the market enables us to assess market trends as well as to evaluate and manage our Company efficiently.

For further details regarding the experience of our management team, please refer to the section headed “Directors, senior management and employees” in this prospectus.

### **We place great emphasis on the quality of our manufacturing services**

We are highly competent in meeting the stringent quality and safety standards which the manufacturing industry is subject to in jurisdictions where our customers do business.

To ensure manufacturing processes are performed to the highest quality standards, we have obtained ISO 9001:2008 since 1994 and ISO 14001:2004 since 2000 and we continue to maintain and comply with these requirements. We also have a dedicated quality control team comprising 43 staff, as at 31 May 2016, responsible for implementing our stringent quality control measures from the initial selection and inspection of raw materials and packaging materials, throughout our whole production process to the quality assurance of our products.

---

## BUSINESS

---

Our Group has also obtained safety approvals and certificates issued by the testing and certification organisations in various countries including UL, CSA, ETL, GS, ASTA, CE, KC, NOM, IRAM, PSE and SAA for the products which we manufacture.

We believe that our emphasis on service quality has contributed to our success in gaining our customers' confidence in our services, which is essential to our long-term development in the EMS industry.

### **Geographic proximity to key suppliers**

Our production facilities are located in Songgang, Shenzhen, Guangdong Province, the PRC. Our major suppliers are located in this region. Our Directors believe that our geographic proximity to our key suppliers will enable us to provide timely response and better service in terms of lower transportation costs and inventory storage, material procurement, technical support and closer collaboration.

### **BUSINESS STRATEGIES**

Our principal business objective is to achieve sustainable growth in our current business and to strengthen our capability to secure more business opportunities by executing the following strategies:

- (i) **Streamline and modernise our production process and improve our production efficiency, and ensure we are in a strong position to take advantage of the predicted growth in solenoid coils**

According to the Euromonitor Report, the overall production of solenoid coils in the PRC is expected to reach RMB2,226.0 million in 2020 representing a CAGR of 4.6% over the period from 2016 to 2020. It is also estimated by Euromonitor that the production of industrial grade chargers and LED lighting for commercial use will grow at a CAGR of 4.0% and 18.3% over the period from 2016 to 2020 respectively. We therefore believe that it is crucial for us to streamline and modernise our production process and improve our production efficiency in order to capture more opportunities in the market.

To capture the opportunities in the market and improve our production efficiency, we plan to relocate our manufacturing facilities, currently carried out at our Songgang Factory, to a self-contained leasehold manufacturing facility in the Shenzhen area.

We are currently under-utilising our production capacity as it is housed in relatively old buildings. Due to their design, we are unable to house a stream-lined, centralised, efficient production plant. For details of the utilisation rate of our production facilities, please refer to the section headed "Business — Production facilities and utilisation" of this prospectus.

---

## BUSINESS

---

The strategy is to find and then transfer our manufacturing operations to a modern leasehold manufacturing facility in the Shenzhen area. We have identified two potential modern, self-contained leasehold manufacturing facilities, which will be able to house our existing production lines and administrative needs as well as having sufficient space to enhance our product development and production capabilities.

a. ***Plant and equipment relocation***

We plan to relocate our plant and equipment to the new manufacturing facility. To avoid material disruption to our current production, our main production line will be moved in several stages. It is estimated that approximately eight days will be required for the relocation of each major production line, four days will be required for the disassembly of equipment in the existing factory and transfer to the new production facility, and four days for the assembly, inspection, calibration, verification of the relevant equipment.

The vehicle transporting the machines will take one hour for each round of transportation depending on the location of the new production facility. Not all machines will require the same amount of run in and calibration time so the abovementioned days required for relocation represent our best estimate.

We plan to use HK\$7.7 million of the net proceeds from the Share Offer to finance the relocation of plant and equipment and deposits payable on the new production plant and dormitory leases.

b. ***Plant and equipment to be purchased by our Group***

In addition to the relocation of existing plant and equipment to the new manufacturing facility, our Group plans to spend a total of HK\$33.0 million to purchase a number of plant and equipment, including SMT machines, injection moulding machines, auto-wiring machines, depending on both estimated and actual production needs arising from business transactions with customers. The purchase of such new machines shall, in turn, increase our Group's annual production capacity and improve our production efficiency. We plan to use HK\$33.0 million of the net proceeds from the Share Offer, representing approximately 46.2% of the net proceeds, to finance the capital expenditure.

c. ***Leasehold improvement for the new manufacturing facility***

We plan to use HK\$17.3 million of the net proceeds from the Share Offer, representing approximately 24.3% of the net proceeds, to finance the leasehold improvement for the new manufacturing facility.

d. ***Other expenditures***

We also plan to use HK\$11.5 million of the net proceeds from the Share Offer, representing approximately 16.2% of the net proceeds, to finance the manufacture of additional inventories to meet the customers' demand during the process of relocation.

---

## BUSINESS

---

We believe that by streamlining and modernising our production processes, we will be able to increase production capacity, thereby enjoying economies of scale and production efficiencies, which will enable us to compete more successfully and improve our financial performance. We believe that we can also achieve additional cost savings from the streamlined and modernised production process which will allow us to meet the additional demand for our products and further expand our sales capacity.

Hence, with proper preparation and appropriate planning, our Group does not expect any disruption to the production of its products during the relocation process or adversely affect the Group's relationship with its customers and suppliers.

In addition, our Directors do not envisage a material adverse impact on the Group's financial performance as a result of the relocation due to the detailed planning and risk assessment that will be carried out in the planning stage of the relocation. However, in the unlikely event that there will be a production stoppage, the estimated loss is estimated to be approximately HK\$6.8 million which represents only 2.1% of our Group's total revenue for the year ended 30 September 2015.

**(ii) Further strengthen our cooperative business relationship with Customer A for the production of solenoid coils**

As a major part of the Group's strategic plans is to expand and grow our market share in the solenoid coil and related business, and to minimise expansion risk, we entered into a non-legally binding memorandum of understanding with our largest customer, Customer A, to establish a joint venture company to engage in the production of solenoid coils in the PRC and subsequently supply to Customer A and other potential customers. Our Company will own the majority equity interests in the joint venture company via Panjet Service and will exercise control over its operation. The initial capital injection from our Group will be approximately HK\$9.3 million. The joint venture company will become a subsidiary of the Group. We are currently negotiating the terms and conditions of the joint venture agreement.

For further details on Customer A, please refer to the section headed "Business — Relationship with Customer A".

Our Directors consider that the establishment of the joint venture company would provide an unique opportunity for us to expand our business in the manufacturing of solenoid coils. According to the industry research performed by Euromonitor, our existing market share in solenoid coils was only 1.8% in the PRC market during 2015, which is comparatively small. According to the Euromonitor Report, the total production of solenoid coils in the PRC is expected to reach approximately RMB 2,226.0 million in 2020, representing a CAGR of 4.6% from 2016 to 2020. The Directors view that the joint venture opportunity will enable us to increase our market share and also benefit in the expected growth in the PRC.

Under the memorandum of understanding, Customer A has agreed to allow the Group to apply Customer A's intangible rights to products manufactured by the joint venture company for other customers. The Directors believe that this is a potential growth area for the Group in terms of finding new customers and enhancing product development.

---

## BUSINESS

---

It is intended that the production of the joint venture will take place in a new facility in the PRC. The Directors are of the view that the joint venture opportunity will enable the Group to advance further in solenoid technology and develop highly price-competitive products. Through such strategic partnership, the Group can also gain more insights from Customer A on the specific needs and requirements of their end customers, and thereby enabling the Group to manufacture solenoid coils to suit the preferences and specifications of end customers.

The Directors, based on their market knowledge, are of the view that the joint venture opportunity will enable the Group to take a greater share of this growing market. Although the Directors acknowledge that the joint venture company may potentially compete with its existing solenoid coil business, the effect would only lead to a minimal initial sales transfer (and in relation to solenoid coils only) from the Group to the joint venture company. As described above, with the experience of the Directors and our technical know-how in the manufacturing of solenoid coils, coupled with the increased funding, the grant of the use of intangible rights in respect of solenoid coils, and the bigger market share in solenoid coils that will be brought by the joint venture company, the Directors are of the view that the advantages of the joint venture far outweigh the disadvantages. As such, the joint venture will not have a material adverse impact on the Group's existing business.

We believe that with our technical know-how in the manufacturing of solenoid coils together with the strategic partnership will enhance our working relationship with Customer A and further increase the possibilities of supplying solenoid-related products to an expanded customer base.

The investment in the joint venture company will be financed by our Group's internal resources.

**(iii) Enhance our product development capabilities**

Manufacturing of solenoid coils, battery charger solution and power supply and LED lighting is characterised by rapid technological advancements and susceptible to changes in market trends and demands. In order to keep ourselves up-to-date with the evolving technological advancements, respond to and anticipate changes in customers' preferences and market demands and maintain our competitiveness in the industry, we intend to strengthen our product development capabilities by continuing to invest in highly-competent, well-trained employees and use of existing facilities, such as plastic injecting moulding, to expand our core competencies.

**(iv) Engage in marketing activities to promote and enhance our product and corporate recognition**

We have focused on designing and manufacturing to customer requirements rather than the development and promotion of our own brands. We believe that, in order to promote and enhance our product and corporate recognition, we need to engage more actively in marketing and promotional activities.

To this end, we plan to recruit more marketing staff to our existing sales department, to engage in more market networking activities and, in conjunction with our product development capabilities, to promote and expand our customer base.

---

## BUSINESS

---

### (v) Grow our business strategically through merger, acquisition and business collaboration

While our Group will continue to maintain our performance within the industry and enhance our competitiveness, our Directors believe that investing in new business opportunities will be critical in enabling our Group to achieve economies of scale, enlarge our customer base and broaden and diversify our service offerings to the market.

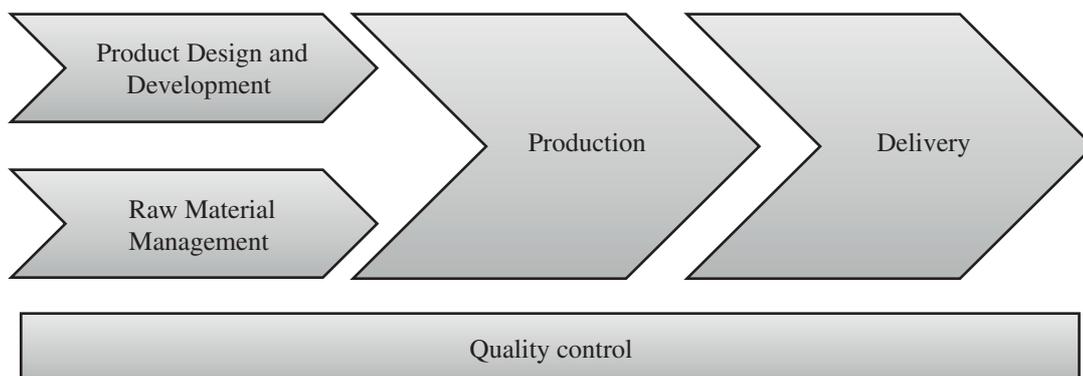
We believe that this can be achieved by accretive acquisitions where we would look to maximise synergies. Additionally, we may also look for opportunistic acquisitions in order to increase profitability and maximise shareholder value.

Upon identification of a potential target in the future, our Directors will take into account several major factors in determining whether to proceed with the proposed investment, including but not limited to: (i) whether the business of the target is profitable and sustainable; (ii) whether its business plans are in line with our Group's business strategies, (iii) whether the target is in compliance with its own financial, legal and regulatory requirements.

As at the Latest Practicable Date, our Company had not identified any acquisition and merger targets.

### BUSINESS MODEL

The following diagram depicts our workflow which can be initiated by our customers, who rely on our design capabilities and advice for their product development. We apply our design engineering knowledge in the course of manufacturing products and provide such customers with advice whenever appropriate so as to facilitate the manufacturing process and enhance the quality of their products.



### Product Design and Development

Our engineering team is responsible for product design and development. Our engineering function consists of four groups, which are (i) electrical and electronic design engineering section, (ii) mechanical design engineering section, (iii) tooling design engineering section and (iv) production engineering support section. As at 31 May 2016, our engineering team consists of 21 engineers who are involved in the design, testing, safety certifications and qualification of new products.

---

## BUSINESS

---

When customers share their product concept with us, our engineering and production teams will discuss the structural, layout and/or graphic design of the products and the costings with the customers. With our in-depth technical knowledge, we work with our customers to enable them to choose the most cost-effective production method as well as to suit their quality needs. Where tools making is involved in the production process, we will design the moulds according to our customers' specifications which will be efficient for subsequent mass production. We have an in-house injection mould shop and metal stamping workshop equipped with computerised mould-making equipment which is capable of making high quality moulds. Typically, it will take about one to two months for the production of the required moulds.

Once a design is approved by our customers, we will proceed to prepare prototype samples. A prototype sample is made to communicate the design of the products to present the layout and the structure and also can be a working sample for customer evaluation and safety approval.

### **Raw Material Management**

To ensure that the cost, quality and delivery schedule conform to the initial estimation, our purchasing team will procure the requisite raw materials, component parts and packaging materials according to the customers' specifications. The major raw materials used by our Group in the manufacture of our products include electronic components, copper wires and plastic resin.

### **Production**

Upon receipt of a purchase order from our customers, we will place orders for the relevant parts and raw materials to our suppliers. On receipt of the parts and raw materials and after inspection by our quality control team, we will usually proceed with the mass production of the relevant products. The production process varies depending on the products manufactured. For more details, please refer to the section headed "Business — Production process" of this prospectus.

### **Quality Control**

Our Directors consider that the ability to maintain the quality of our products is crucial to the long term growth of our Group.

To secure and maintain long term business relationships with our customers, we constantly improve our product quality and designs to meet their stringent quality requirements. We have obtained internationally recognised certifications including ISO 9001:2008 since 1994 and ISO 14001:2004 since 2000. Our ability to cope with diversified and stringent requirements of our customers in all such aspects as the procurement of raw materials, the manufacturing process, packaging, quality inspection and the delivery of the finished products would be the key to our ability to operate profitably in the manufacturing industry. For more details, please refer to the section headed "Business — Quality control" of this prospectus.

## BUSINESS

### Delivery

Delivery of our products is outsourced to logistic service providers. Our shipping team confirms the quantity of shipment with the logistic company upon completion of loading. During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any material adverse impact on our operations as a result of failure to meet delivery schedules of our customers.

### PRODUCTS

Our products can be broadly categorised into four product groups, namely: (i) solenoid coils; (ii) battery charger solution and power supply; (iii) LED lighting; and (iv) others, including PCBA and parts assembly.

The following table sets out the revenue by product type during the Track Record Period:

	Year ended 30 September						Eight months ended 31 May			
	2013		2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Solenoid coils										
- Outer diameter below 40 mm	60,758	18.7	77,395	23.1	74,819	22.8	49,558	22.9	34,234	19.1
- Outer diameter above 40 mm	44,492	13.7	57,421	17.2	58,902	18.0	40,024	18.5	25,920	14.5
- Coil bundles	1,622	0.5	1,410	0.4	1,486	0.5	1,099	0.5	822	0.5
Subtotal	106,872	32.9	136,226	40.7	135,207	41.3	90,681	41.9	60,976	34.1
Battery charger solution and power supply										
- Power supply	25,062	7.7	24,806	7.4	16,334	5.0	10,496	4.8	8,391	4.7
- Chargers with voltage less than 60 watt	32,351	9.9	31,141	9.3	27,231	8.3	19,354	8.9	18,066	10.1
- Chargers with voltage equal or higher than 60 watt	20,319	6.2	15,923	4.8	20,746	6.3	14,223	6.6	12,886	7.2
Subtotal	77,732	23.8	71,870	21.5	64,311	19.6	44,073	20.3	39,343	22.0
LED lighting										
- Work lights	28,213	8.7	8,842	2.6	7,016	2.1	5,862	2.7	1,813	1.0
- Commercial LED lighting	7,404	2.3	23,660	7.1	17,504	5.3	10,360	4.8	15,538	8.7
Subtotal	35,617	11.0	32,502	9.7	24,520	7.4	16,222	7.5	17,351	9.7
Others										
- PCBA	27,446	8.4	27,366	8.2	32,151	9.8	20,736	9.6	21,487	12.0
- Parts assembly	41,989	12.9	41,630	12.4	42,697	13.0	23,394	10.8	22,213	12.4
- Miscellaneous ( <i>Note</i> )	35,588	11.0	24,902	7.5	28,748	8.9	21,630	9.9	17,949	9.8
Subtotal	105,023	32.3	93,898	28.1	103,596	31.7	65,760	30.3	61,649	34.2
	<u>325,244</u>	<u>100.0</u>	<u>334,496</u>	<u>100.0</u>	<u>327,634</u>	<u>100.0</u>	<u>216,736</u>	<u>100.0</u>	<u>179,319</u>	<u>100.0</u>

*Note:* Miscellaneous includes plastic parts and metal parts.

### Solenoid coils



During the Track Record Period, our Group manufactured and sold around 286 different types of solenoid coils varied in features, design and dimensions in accordance with our customers' specifications. Our solenoid coils mainly comprise: (i) solenoid coils with an outer diameter below 40mm; (ii) solenoid coils with an outer diameter above 40 mm; and (iii) coil bundles. Solenoid coils can come in various features and designs, so that they can cater for the specific needs, requirements and preferences of our customers. Solenoid coils are used in hydraulic valves and can be applied to a wide variety of industrial products. For example, solenoid coils can be assembled in the valves of hydraulic control units to provide numerous control solutions for heavy automotive machinery with uplifting function, including tractors, mini and mid-range excavators, wheel loaders, material handling equipment. Solenoid coils are installed in hydraulic valves to generate magnetic force to open or close the valves. The diameter of the solenoid coil is directly proportional to the size of hydraulic valves. The larger diameter of solenoid coils are installed in the bigger valves, and vice versa.

Our sales of solenoid coils accounted for approximately 32.9%, 40.7%, 41.3% and 34.1% of our total revenue for the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, respectively. Our solenoid coils were mainly sold to Customer A during the Track Record Period.

During the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, we sold approximately 4.0 million pieces, 6.3 million pieces, 5.3 million pieces and 2.1 million pieces of solenoid coils, respectively, with a selling price per piece ranging from approximately HK\$4.1 to HK\$89.6 during the eight months ended 31 May 2016.

---

## BUSINESS

---

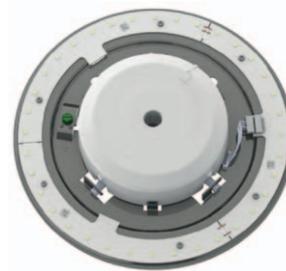
### Battery charger solution and power supply



During the Track Record Period, our Group manufactured and sold around 155 different types of battery charger solution and power supply, which comprise two major categories: (i) chargers with a voltage lower than 60 watt and (ii) chargers with a voltage of 60 watt or higher. Both are in accordance with our customers' specifications which come in various dimensions and designs and have different input/output voltage ranges, output current ranges, maximum power and input terminals, so that it can support different chemistries of battery, including NiCD, NiMH and Li-ion battery. We have an updated knowledge of safety regulation, energy efficiency and environment requirement by different region. Our battery charger solution and power supply are mainly for power tools of our customers.

During the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, we sold approximately 1.9 million pieces, 1.9 million pieces, 1.4 million pieces and 0.8 million pieces of products of battery charger solution and power supply, respectively, with a selling price range from approximately HK\$4.6 per piece to HK\$173.1 per piece during the eight months ended 31 May 2016. The selling prices of our battery charger solution and power supply vary depending on their functions, features, designs and dimensions.

### LED lighting



---

## BUSINESS

---

During the Track Record Period, our Group manufactured and sold around 307 different types of LED lighting in accordance with our customers' specifications. Our LED lighting product is in aluminium housing with various colour temperatures available. A wide range of beam angles and different types of diffusers are available to conform to different requirements. It is available in different colour temperature and in various wattages with optional dimmable function.

Our LED lighting products can be categorised into work lights and commercial LED lighting. Work lights are portable hand-held electric LED lights. Commercial LED lighting is usually installed in universities, hospitals, hotels, jewellery shops and commercial buildings.

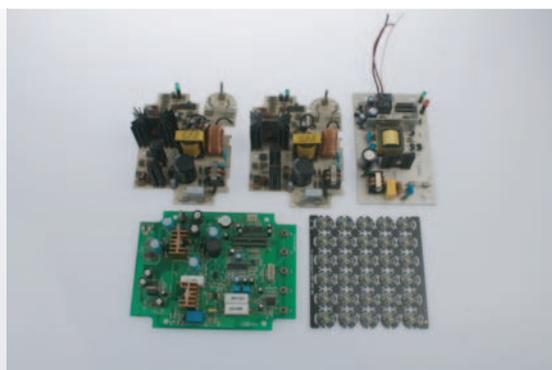
During the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, we sold approximately 0.4 million pieces, 0.3 million pieces, 0.2 million pieces and 0.1 million pieces of LED lighting, respectively, with a selling price range from approximately HK\$30.9 per piece to HK\$923.2 per piece. The selling prices of our LED lighting vary depending on their functions, features, design and dimensions.

### Others

*Molded circuit board*



*PCBA*



Our other products include: (i) PCBA, such as LED lighting PCBA, battery charger PCBA and display control PCBA; (ii) parts assembly, such as molded circuit boards, battery holders brackets, brush holders and extension set; and (iii) miscellaneous, such as plastic parts, metal parts, contactor or case.

We emphasise the quality of our products to fulfil strictly the stringent international safety standards as well as our customers' specifications and requirements. Equipped with a broad range of production capabilities and multi-production lines, we are capable of manufacturing a wide range of different products, which require very stringent safety standards.

---

## BUSINESS

---

### Geographical breakdown of our revenue

We mainly export our products to the U.S. and Europe. The U.S. is the principal market for our products and accounted for approximately 46.1%, 54.2%, 56.7% and 53.1% of our revenue for each of the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, respectively. Please refer to the breakdown of our revenue by destination where our products are delivered to during the Track Record Period in the section headed 'Financial information'.

Our results of operations are largely affected by the level of demand for our products from our customers in the U.S. and Europe which is in turn influenced by a number of factors, including, amongst others, the recent global economic downturn and general consumer confidence to macro economic outlook. Notwithstanding the weakened economic situation in the U.S. and Europe, we have continued to focus on manufacturing and supplying diversified products to our key customers, who are internationally reputable companies owning well-known brands.

### CUSTOMERS

During the Track Record Period, we had a customer base comprising more than 30 customers with headquarters located worldwide, including the U.S., Germany and Japan. The following table sets forth the details of our five largest customers during the Track Record Period:

#### For the eight months ended 31 May 2016

<u>Customer</u>	<u>Examples of products sold</u>	<u>Length of relationship with us up to the Latest Practicable Date</u>	<u>% of our total revenue</u>	<u>Credit period</u>
		(approximately)		
Customer A	Solenoid coils	14 years	31.1	30 days
Customer B	Battery charger	14 years	17.1	30 days
Customer D	LED lighting	5 years	10.3	30 days
Customer E	Molded circuit board and charger	10 years	10.2	30 days
Customer C	Controller PCBA	13 years	9.7	30 days

---

**BUSINESS**

---

**For the year ended 30 September 2015**

<b>Customer</b>	<b>Examples of products sold</b>	<b>Length of relationship with us up to the Latest Practicable Date</b>	<b>% of our total revenue</b>	<b>Credit period</b>
(approximately)				
Customer A	Solenoid coils	14 years	37.8	30 days
Customer B	Battery charger	14 years	16.2	30 days
Customer D	LED lighting	5 years	8.1	30 days
Customer C	Controller PCBA	13 years	7.7	30 days
Customer E	Molded circuit board and charger	10 years	7.0	30 days

**For the year ended 30 September 2014**

<b>Customer</b>	<b>Examples of products sold</b>	<b>Length of relationship with us up to the Latest Practicable Date</b>	<b>% of our total revenue</b>	<b>Credit period</b>
(approximately)				
Customer A	Solenoid coils	14 years	36.6	30 days
Customer B	Battery charger	14 years	17.4	30 days
Customer D	LED lighting	5 years	9.3	30 days
Customer C	Controller PCBA	13 years	7.6	30 days
Customer E	Molded circuit board and charger	10 years	6.3	30 days

**For the year ended 30 September 2013**

<b>Customer</b>	<b>Examples of products sold</b>	<b>Length of relationship with us up to the Latest Practicable Date</b>	<b>% of our total revenue</b>	<b>Credit period</b>
(approximately)				
Customer A	Solenoid coils	14 years	29.9	30 days
Customer B	Battery charger	14 years	17.2	30 days
Customer C	Controller PCBA	13 years	9.4	30 days
Customer E	Molded circuit board and charger	10 years	6.7	30 days
Customer F	Work light	9 years	6.5	30 days

---

## BUSINESS

---

Set out below is the information of our major customers:

- (1) Customer A is a U.S. company specialising in the manufacture of hydraulic cartridge and manifolds. For more details, please refer to the section headed “Business — Background of Customer A”.
- (2) Customer B is a group headquartered in Germany. The group has regional companies in roughly 60 countries. The group is principally engaged in the mobility solutions, industrial technology, consumer goods and energy and building technology. The group derived its revenue from Europe, Asia Pacific and America respectively.
- (3) Customer C is incorporated in Japan and established in 1952. Customer C has its headquarters in Tokyo with offices in Shanghai and Hong Kong and is a wholesale distributor of industrial machinery and equipment. Customer C is principally engaged in sourcing components and parts used in the electric saw and electric drill for its customers.
- (4) Customer D is a U.S. company founded in 2003 that designs and manufactures innovative LED solutions. Its LED technology can be found in commercial, industrial, and medical applications. Customer D’s illumination-grade LED technology can be found in commercial, industrial, and medical applications.
- (5) Customer E which was incorporated in the U.S. and, is a leading manufacturer of cordless and pneumatic nailers, staplers, and fasteners for wood to wood construction. Its main focus has been on providing professional trades people with high quality fasteners and fastening tools. Customer E is under a division of construction products in a New York Stock Exchange listed company.
- (6) Customer F was incorporated and is a listed company in Hong Kong specialising in the design, manufacturing and marketing of power tools, outdoor power equipment, and floor care and appliances for consumers, professional and industrial users in the home improvement, repair and construction industries. Its major source of revenue is derived from North America. Customer F has two major products, which are 1) power equipment; and 2) floor care and appliances.

We have had approximately five years to 14 years of business relationships with our five largest customers as at the Latest Practicable Date. During the Track Record Period, our Group’s five largest customers in aggregate accounted for approximately 69.7%, 77.2%, 76.8% and 78.4%, respectively, of our Group’s revenue while the largest customer accounted for approximately 29.9%, 36.6%, 37.8% and 31.1% respectively of our Group’s revenue. None of our Directors, their respective associates and shareholders who own more than 5% of the issued shares of our Company has any interest in any of the five largest customers of our Group.

---

## BUSINESS

---

### **Relationship with Customer A**

As at the Latest Practicable Date, we have maintained a business relationship with our largest customer for 14 years. Our revenue attributable to Customer A amounted to approximately HK\$97.4 million, HK\$122.5 million, HK\$123.7 million and HK\$55.7 million for the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, which accounted for approximately 29.9%, 36.6%, 37.8% and 31.1% of our total revenue for the corresponding periods, respectively. Products sold to Customer A are solenoid coils.

In order to secure increased orders of solenoid coils and further strengthen our relationship with our largest customer, Customer A, we intend to establish a joint venture company with Customer A in the PRC which will be principally engaged in the production of solenoid coils. For further details, please refer to the section headed “Business — Business strategies” of this prospectus.

#### *Background of Customer A*

Customer A was incorporated in the U.S. It is a privately held company which specialises in the manufacture of hydraulic cartridges and manifolds, which are applied in machines including tractors, excavators and wheel loaders etc. It has several locations in North America, Europe and Asia, with a network of over 100 stocking distributors who can offer local support across the globe.

#### *Contractual arrangements with Customer A*

We enter into master framework agreement with Customer A setting out the principal terms of the sales arrangement and the terms of each transaction (such as price, payment terms and delivery schedule) which are set out in the relevant sales order for each transaction. Our Directors confirm that the master framework agreement with Customer A has not been stopped or suspended since we commenced business relationships with Customer A. In addition, there is no minimum purchase commitment imposed on Customer A under the master framework agreement.

The salient features and terms of our current master framework agreement with Customer A are as follows:

- (a) The master framework agreement does not stipulate any minimum purchase obligations by Customer A.
- (b) All rights, titles and interests in and to all materials, samples and tooling for manufacturing Customer A’s products and information provided by Customer A to us in connection with performing the services for Customer A are and will remain the sole and absolute personal and intellectual property of Customer A.
- (c) We will not, without Customer A’s approval, make any disclosure of any confidential information in connection with performing the services for Customer A, including the technical data, know-how and designs, to any third party.

---

## BUSINESS

---

- (d) We will be held liable for any defects in the supply or manufacture of Customer A's products caused by us and our subcontractors including but not limited to the failure to manufacture Customer A's products in accordance with Customer A's specifications.
- (e) The current master framework agreement was entered into between both parties in 2001 with no expiry dates, unless terminated by either party without cause by providing 30 days' written notice or Customer A may terminate the master framework agreement immediately due to our breach of the terms of the master framework agreement.

### *Ordering and delivery arrangement with Customer A*

In order to facilitate the delivery of goods to Customer A, our Group has entered into the Warehouse Agreement to utilise a warehouse in Chicago in the U.S. for handling of goods from the Songgang Factory to the Chicago Warehouse and ultimately to Customer A's dock. Customer A and our Group have jointly selected the Chicago Warehouse since 2014. Pursuant to the Warehouse Agreement, the selling prices of goods to Customer A shall include transportation costs to the Chicago Warehouse, insurance costs, warehousing costs, customs and duty etc. The sales cycle of Customer A is summarised as follow:

- (i) Customer A sends and updates its order status report (including model, shipment quantity and required shipment date) on a weekly basis to the Group.
- (ii) Our system is updated and it generates sales orders.
- (iii) The order status report is updated and sent to Customer A via the email on a weekly basis.
- (iv) After the goods are manufactured, we will arrange shipment to the Chicago Warehouse.
- (v) We are required to pay charges in relation to the storage and warehouse handling of the goods to the Chicago Warehouse Operator.
- (vi) We will prepare and send the packing list summary to the Chicago Warehouse Operator and Customer A.
- (vii) When goods arrive in Chicago, it will be stored at the Chicago Warehouse for pick up by Customer A.
- (viii) After the drawdown, Chicago Warehouse Operator will inform us via email.

### **Consignment sale**

During the Track Record Period, sales to four customers, mainly including sales of certain specifications of goods to Customer B and Customer E, were made on consignment basis. For the three years ended 30 September 2015 and the eight months ended 31 May 2016, consignment sales amounted to approximately HK\$45.8 million, HK\$50.3 million, HK\$44.9 million and HK\$28.1 million respectively, representing approximately 14.1%, 15.0%, 13.7% and 15.7% of the total revenue,

---

## BUSINESS

---

respectively. The revenue from sales of consignment stock is recognised in the month when the consignment stock is drawn down by the customers. As at 30 September 2013, 2014, 2015 and 31 May 2016, the consignment stock amounted to approximately HK\$9.7 million, HK\$9.8 million, HK\$5.8 million and HK\$4.5 million respectively.

The Company agrees to maintain a minimum inventory level in the designated warehouses of Customers B and E. The Directors are of the view that a minimum inventory level can ensure that these customers have sufficient raw materials to support their production activities. Pursuant to the consignment stock agreements, Customers B, E and H undertake to pay for any inventory in the consignment warehouses with age over six months, 120 days and 120 days respectively. The legal titles of consignment stocks will then be immediately transferred to Customers B, E and H respectively. The Directors are of the view that due to the benefits derived from the consignment stock arrangement, Customers B, E and H are willing to accept the terms of the slow moving stock arrangements in full.

Our Directors consider that accepting consignment arrangement on request by customers is in the best interest of the Group. Our Directors are of the view that the provision of consignment arrangement can support our customers to control their procurement and supply chain management and such arrangement can create mutual benefits to our Group as follows:

- as the customers will provide production forecast and and/or purchase orders in advance, this allows us to have a better production scheduling.
- the consignment arrangement entails a stable source of income for our Group.
- the consignment arrangement enhances our long-term relationship with Customers B and E.

The consignment stock is stored in the customers' designated warehouses. The Group will be notified when any consignment stock is drawn down by the customers. Invoices are issued upon drawdown by customers. Our Group regularly reviews the warehouse inventory reports generated from the Group's computerised inventory control system to monitor the inventory level and movement of the consignment stock.

The table below summarises the terms of our consignment agreements with Customers B, E and H.

### ***Customer B***

Commencement of Consignment agreement: June 2006 and June 2007

Location of warehouse: Customer B's designated warehouses in Hangzhou, China and Penang, Malaysia

---

## BUSINESS

---

Consignment stock level:	Consignment stock is maintained within the agreed minimum and maximum level, which is approximately between HK\$258,000 and HK\$1,649,000 in terms of the selling prices of the consignment stocks with effect from July 2016.
Payment terms:	Invoice is issued every week based on the actual withdraw quantity.
Slow-moving stock arrangements:	The consignment stock has not been withdrawn for a continuous six months, inventories' titles are passed to Customer B and invoices will be issued accordingly.
Term of agreement:	The agreement is in force until sooner termination by either party. The agreement may be terminated by giving a written notice to other party six months in advance.

### ***Customer E***

Commencement of Consignment agreement:	November 2005
Location of warehouse:	Customer E's designated warehouse
Consignment stock level:	Maintain the inventories at a targeted level, which is approximately HK\$5.4 million in terms of the selling prices of the consignment stocks with effect from February 2016.
Payment terms:	Invoice is issued after consignment stock being drawn down.
Slow-moving stock arrangements:	For consignment stock in the warehouse for more than 120 days, without drawn down, inventories' titles are passed to Customer E and invoices will be issued accordingly.
Term of agreement:	The agreement may be terminated by giving a written notice to the other party 90 days in advance.

### ***Customer H***

Commencement of Consignment agreement:	July 2013
Location of warehouse:	Customer H's designated warehouse
Consignment stock level:	The accumulated consignment stock balance at 20 <sup>th</sup> of each month should not exceed RMB1 million.
Product warranty:	Product warranty period is one year after the consignment stocks are drawn down.

---

## BUSINESS

---

Payment and credit terms:	When two parties confirm the monthly volume of consignment stocks drawn down, invoice will be issued in the subsequent month.
Slow-moving stock arrangements:	For consignment stock in the warehouse for more than 120 days, without being drawn down, inventories' titles are passed to Customer H and invoices will be issued accordingly.
Term of agreement:	The agreement is one year and it will be automatically renewed for one year if no termination notice is issued. The agreement may be terminated by giving a written notice to other party one month prior to the agreement expiry date.

### *Customer G*

Under the current delivery arrangement with Customer G as stated in its purchase order, goods are first delivered to Customer G's designated place and the legal title of the goods will only be transferred to Customer G when the goods are drawn down by Customer G. No minimum level of consignment stock is required to be kept at Customer G's designated warehouse. Since the consignment arrangement with Customer G has been stated in its purchase order, no written consignment agreement has been entered into between the Group and Customer G during the Track Record Period. The consignment arrangement has been in place for over 6 years.

### **General terms of agreements with customers**

We generally have not entered into any long-term agreements with our customers during the Track Record Period. We usually enter into master framework agreements with the customers setting out the principal terms of the sales arrangement and the terms of each transaction (such as price, payment terms and delivery schedule) will be set out in the sales order of each transaction. Our Directors are of the view that such arrangement is common within the industry. The general terms of a typical master framework agreement are set out below:

- (a) No binding purchase commitments are made in the master framework agreement. All purchases and services are initiated by the issuance of written purchase orders, subject to the terms and conditions of the relevant master framework agreement;
- (b) We will manufacture the products in accordance with the customer's specifications and in accordance with the terms and conditions of the master framework agreement;
- (c) We will keep confidential any information disclosed by the customer in connection with the agreement, including the technology and know-how relating to the manufacture of the products;
- (d) The customer has the exclusive ownership of all right, title and interest in intellectual property rights relating to the products manufactured by us;

---

## BUSINESS

---

- (e) We will be held liable for any defects in the supply or manufacture of the customer's products caused by us and any failure to manufacture the products in accordance with the customer's specifications; and
- (f) The customer will have the right to terminate the agreement if we fail to manufacture the products according to the specifications or otherwise materially breaches the agreement.

### **Pricing policy and payment terms**

Our pricing strategy is based on a cost-plus pricing model, which principally takes into account raw material costs, labour cost, manufacturing overhead and a markup in order to achieve the gross profit margin which the Group desires to attain.

Once we agree the selling prices with our customers, such prices will be fixed for approximately between three months and twelve months. We regularly monitor and review the prices of our major raw materials throughout the year and thereafter review and negotiate for adjustments of the selling prices with our customers, if necessary.

During the Track Record Period, the duration of the fixed price period in respect of the fixed price sales arrangement with our largest five customers, Customers A, B, C, D and E, are approximately three to twelve months, whilst that of our remaining customers are approximately four to twelve months.

In addition, the usual logistic terms of sale with our customers are FOB or ex-factory. During the Track Record Period, we maintained our gross profit margin range from 17.4% to 22.6%. We consider that the fact that our pricing policy has taken into account our cost of sales and targeted margin percentage is the key success factor in maintaining a reasonable profit margin for our Group. During the Track Record Period, the percentage decrease in price of our major raw materials has exceeded that of our major products. Therefore, the fixed price arrangement allows us to lock in gross profit margins and we did not incur any loss in the fixed price sales arrangement with our customers. Furthermore, according to the Euromonitor Report, our major raw material prices recorded a decrease during the period between 2011 and 2015. For further details, please refer to the paragraph headed "Overview of EMS industry in China — Price trend of raw materials" in the section headed "Industry overview". Consequently, such decrease in costs had a positive impact on the Group's financial performance during the Track Record Period.

Our Group has internal control procedures in place to ensure the compliance of the Group's pricing policy, a regular review of the fixed price arrangement and approval process of selling prices by designated management. Shenzhen Pantai prepares a gross profit margin report and a market price report of major raw materials every month for the chief operating officer's review. When the gross profit margin of products and the prevailing raw material prices show unfavorable fluctuation(s), the chief operating officer will review the selling prices and product costing and may renegotiate the selling prices with the customers when the Group renews the terms of the fixed price agreements.

---

## BUSINESS

---

### **Credit policy**

The length of credit period granted varies on a case-by-case basis depending on the customer's reputation and credibility, payment history and business relationship with our Group. We periodically review the credit terms and our customers' payment record and, if necessary, revise the credit terms granted to our customers after review. During the Track Record Period, we did not experience any material difficulty in collecting payment from our customers. Our major customers usually pay regularly. During the Track Record Period, we did not record any material bad debt.

### **Counterparty risk**

We face risks in relation to the collectability of our trade receivables. As at 30 September 2013, 2014 and 2015 and 31 May 2016, we recorded trade receivables of approximately HK\$56.3 million, HK\$65.0 million, HK\$66.6 million and HK\$50.0 million respectively, of which approximately HK\$4.1 million, HK\$9.4 million, HK\$33.9 million and HK\$14.6 million respectively have been past due but not impaired as they were due from customers of whom there was no history of default during the Track Record Period. For each of the three years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, our trade receivables turnover days were approximately 68 days, 65 days, 72 days and 79 days respectively, which were within the credit period of 30 days to 120 days granted by us to our customers.

In order to mitigate such risk, material overdue payments are monitored continuously and evaluated on a case-by-case basis as to the appropriate follow-up actions having regard to the customer's normal payment processing procedures, our relationship with the customer, its history of making payments, its financial position as well as the general economic environment. Follow-up actions to recover overdue trade receivables include but not limited to active communications with the customers' appropriate personnel (such as the relevant department responsible for processing payments) as well as legal actions. In addition, we review the recoverable amount of each individual trade receivable balance at the end of each reporting period to ensure adequate impairment losses are provided for irrecoverable amounts.

### **Provision policy**

Our policy for impairment loss on trade receivables is based on an evaluation of collectability and aged analysis of the receivables which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. We closely review our trade receivables balance and any overdue balances on an ongoing basis and assessments are made by our management on the collectability of overdue balances.

---

## BUSINESS

---

### Customer services

Our customer services team coordinates customer orders and responds to customer queries and complaints, if any. Our computerised operations enable us to provide our customers with weekly or monthly status reports on delivery and shipment. We have not experienced any material complaints by our customers during the Track Record Period.

### Sales and marketing

Our Directors believe that our continuous efforts in maintaining high quality products, competitive prices and on-time delivery are the key to strengthen our customer base as well as effective marketing.

During the Track Record Period, the Group engaged a sales agent, an Independent Third Party, for liaising sale orders and arrangements with Customer E. The sales agent has been engaged by the Group since 2008. For the three years ended 30 September 2015 and the eight months ended 31 May 2016, the commission payable to the sales agent amounted to approximately HK\$0.9 million, HK\$1.0 million, HK\$1.0 million and HK\$0.8 million, respectively, representing 0.3%, 0.3%, 0.3% and 0.5% of the Group's total revenue for the respective periods. Pursuant to the agreement dated 28 April 2014, the Group agreed to pay, after receipt of sales proceeds from Customer E in full, to the sales agent a commission, which is calculated at 1% to 5% (as varied with specification of products) of the sales amount. There is no minimum amount of sales requirement under the sales agent agreement. The sales agent agreement has a term of two years with expiry in September 2018.

### Seasonality

Overall, sales of our products are fairly balanced throughout the year, although demand for certain products may be influenced by holidays, changes in seasons or other reasons. Given the diversity of our product range, we do not believe that seasonality has any material effect on our results of operations as a whole.

## PRODUCTION FACILITIES AND UTILISATION

The Songgang Factory is located in Songgang, Shenzhen, Guangdong Province, the PRC while our administrative and selling functions are located in our headquarter in Hong Kong.

## BUSINESS

### Production capacity

The following table sets out the estimated annual production capacity and actual production volume of our major products and the utilisation rate of our production facilities during the Track Record Period:

	Estimated annual capacity <sup>(1)</sup>	Approximate actual production volume <sup>(2)</sup>				Approximate utilisation rate <sup>(3)</sup>			
		For the year ended 30 September			For the eight months ended 31 May 2016	For the year ended 30 September			For the eight months ended 31 May 2016
		2013	2014	2015		2013	2014	2015	
	('000 units)	('000 units)	('000 units)	('000 units)	('000 units)				
Solenoid coils	7,571	4,036	6,305	5,288	2,051	53.3%	83.3%	69.8%	40.6%
Battery charger solution and power supply	2,016	1,939	1,937	1,397	795	96.2%	96.1%	69.3%	59.2%
LED lighting	432	398	261	179	106	92.1%	60.4%	41.4%	36.8%
Others									
- PCBA	720	475	514	645	440	66.0%	71.4%	89.6%	91.7%
- Parts assembly	8,064	6,580	6,382	7,440	3,701	81.6%	79.1%	92.3%	68.8%

*Notes:*

1. The annual capacity is estimated based on the assumption that it operates consecutively for 12 hours per day for the five days a week taking into account machine downtime for regular maintenance, public holidays, adjustment of production lines for manufacturing different products and rest time of our employees, which our Directors believe is the industry norm in the calculation of production capacity.
2. The actual operating machine hours for a particular period were based on estimates of the actual number of machine hours used for such period with reference to machinery usage records.
3. Each of the utilisation rate is calculated by taking the actual production volume for a particular period divided by the estimated capacity during that particular period.
4. For some of our products, multi-skilled manufacturing processes such as plastic processing are involved and different production lines are required in the processing procedures for producing such products. As such, the estimated utilisation rates were prepared for reference only. So in case the manufacturing of a specific type of product involves more than one production skill, such as plastic processing at the same time, we may not be able to produce such type of product when any one of the production lines reaches its maximum utilisation rate.

The utilisation rate of our production lines is affected by a number of factors such as the volume of purchase orders received from our customers, the availability of raw materials, our production schedule and the types of products manufactured.

---

## BUSINESS

---

The utilisation rate of solenoid coils increased from approximately 53.3% for the year ended 30 September 2013 to approximately 83.3% for the year ended 30 September 2014. The increase was mainly attributable to the increase in orders placed by Customer A. The utilisation rate of solenoid coils decreased from approximately 83.3% for the year ended 30 September 2014 to approximately 69.8% for the year ended 30 September 2015. The decrease was mainly attributable to the decrease in orders placed by Customer A. The utilisation rate of solenoid coils decreased to approximately 40.6% for the eight months ended 31 May 2016 due to the decrease in orders received from Customer A driven by the unfavourable economic environment in the markets of its end customers.

The utilisation rate of battery charger solution and power supply decreased from approximately 96.2% for the year ended 30 September 2013 to approximately 69.3% for the year ended 30 September 2015, and further reduced to approximately 59.2% for the eight months ended 31 May 2016. The decrease was mainly attributable to the decrease in the demand from our customers in Europe driven by the poor economic environment.

The utilisation rate of LED lighting decreased from approximately 92.1% for the year ended 30 September 2013 to approximately 41.4% for the year ended 30 September 2015, and then reduced to approximately 36.8% for the eight months ended 31 May 2016. The decrease was mainly attributable to (i) the loss of one of our major customers in 2014 due to the thin margin; and (ii) the decrease in demand from our customers in U.S. driven by the poor economic environment in the U.S..

The utilisation rate of PCBA increased from approximately 66.0% for the year ended 30 September 2013 to approximately 91.7% for the eight months ended 31 May 2016 due to the growing demand of PCBA from customers.

## MACHINES AND EQUIPMENT

As at 31 May 2016, we owned and operated over 100 units of machines include SMT machines, CNC machines, wire-cut machines and injection machines.

Details of some of our principal machines as at the Latest Practicable Date are set out below:

<b>Machine/line</b>	<b>Years of service (approximately)</b>	<b>Approximate number of unit(s)</b>	<b>Useful lives (years)</b>	<b>Usage</b>
SMT line	3-17	3	6	Electronic PCBA
CNC	12-21	4	6	Tooling
Wire-Cut	12-17	7	6	Tooling
RoHS Tester	10	1	6	Quality control
Horizontal injection	less than 1-22	Over 50	6	Fabricate plastic parts
Vertical injection	less than 1-16	17	6	Insert moulding parts

---

## BUSINESS

---

From the experience of our Directors, the estimated useful life of the above machinery and equipment is 10 years or more. All machines and equipment used by our Group are functioning properly.

Nevertheless, in order to increase the level of automation in our production process and enhance our production efficiency, we intend to install new automated machines and equipment for use in our production process. Please refer to the paragraph “Business strategies” in this section for further details.

### Repair and maintenance

We have devised a set of internal procedures for regular checking and maintenance of our machines and equipment in the Songgang Factory. Our production department inspects the condition of the production lines, machines and equipment on a daily basis, in particular, their cleanliness, the functions of the indicators and the operating push buttons thereon. Daily inspections take about 10 minutes every day. Weekly and monthly maintenance work including adding engine oil and air compressor maintenance are also carried out. To minimise the operational impact while maintenance takes place, we try to schedule weekly and monthly maintenance work to take place after our normal operational hours or on public holidays. For the three years ended 30 September 2015 and the eight months ended 31 May 2016, we incurred maintenance costs of approximately HK\$1.8 million, HK\$1.8 million, HK\$0.7 million and HK\$0.4 million, respectively. We believe that routine inspection and maintenance will ensure our production efficiency and extend the useful lives of machines and equipment. We confirm that during the Track Record Period, we did not experience any unexpected material stoppage or prolonged suspension of operation as a result of any failure of our machines and equipment.

### PRODUCTION PROCESS

We closely monitor all key stages of our manufacturing processes. Our streamlined and standardised production process utilises automated technology to optimise production flow and efficiency. The production lead time for our products generally ranges from four to five working days given all the requisite raw materials are ready:

<b>Products</b>	<b>Production lead time</b>
Solenoid coils	Five working days
Battery charger solution and power supply	Four working days
LED lighting	Five working days

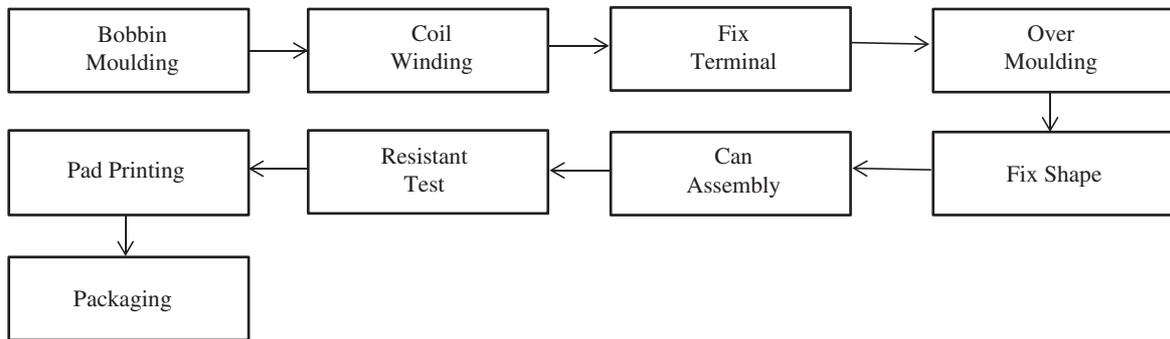
The actual production lead time of our products varies depending on the types and number of product manufactured and specific customer requirements. The following diagrams summarise the key steps of our production processes for each of our major products.

---

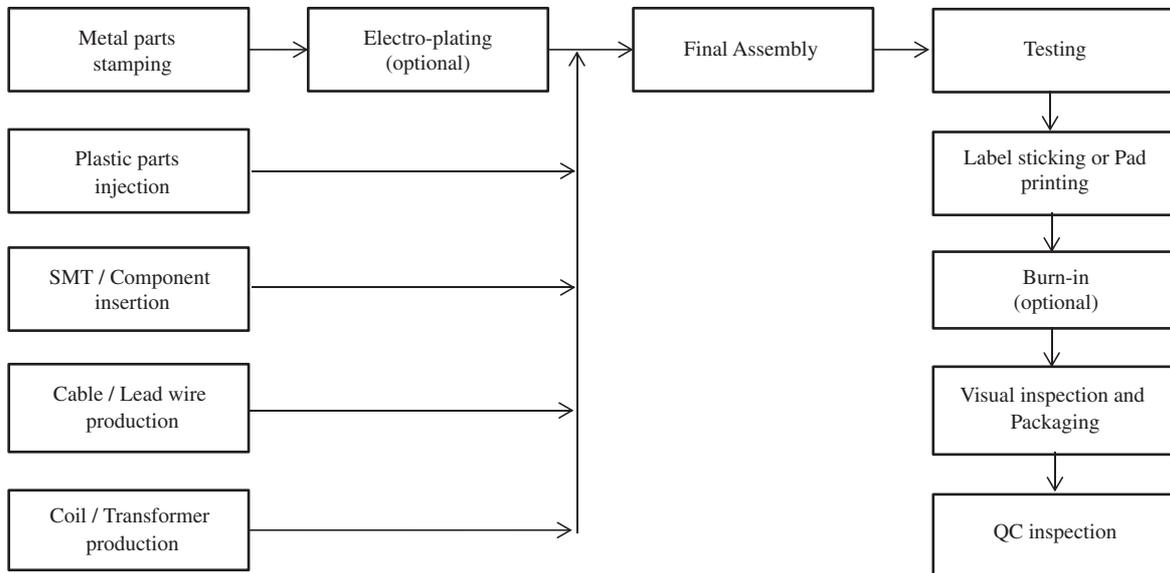
## BUSINESS

---

### *Solenoid coils*



### *Battery charger solution and power supply*

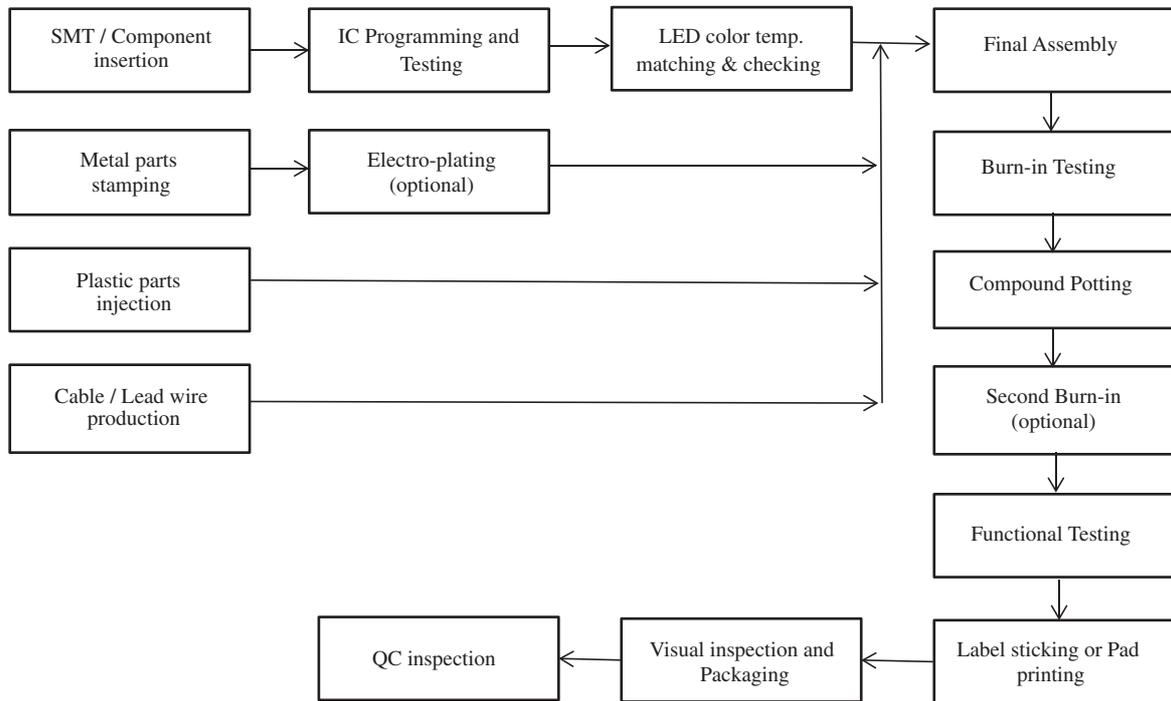


---

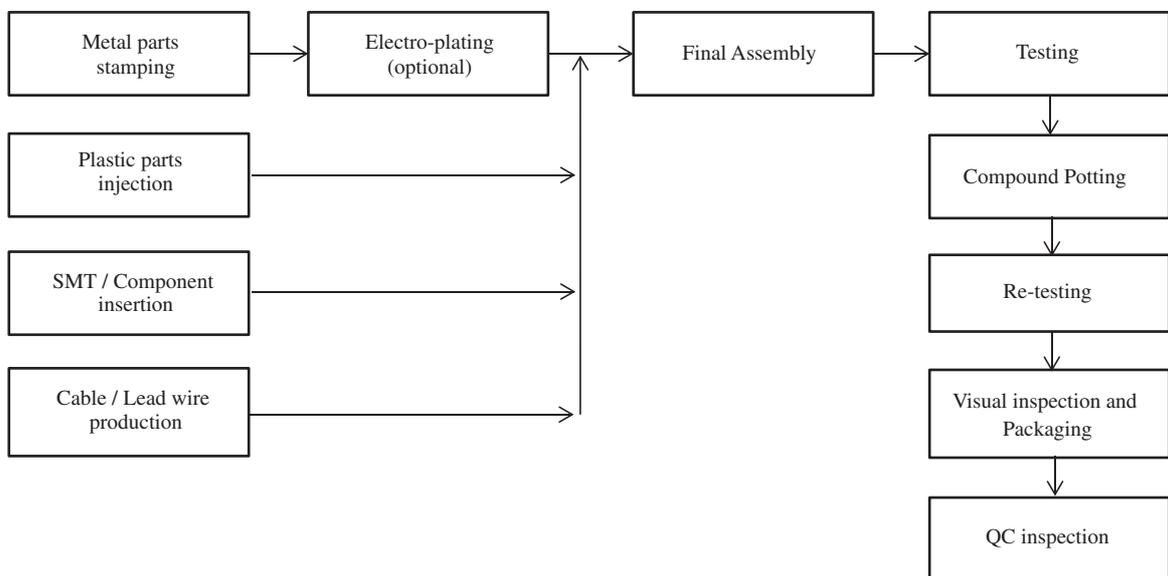
## BUSINESS

---

### *LED lighting*



### *Other products — PCBA*

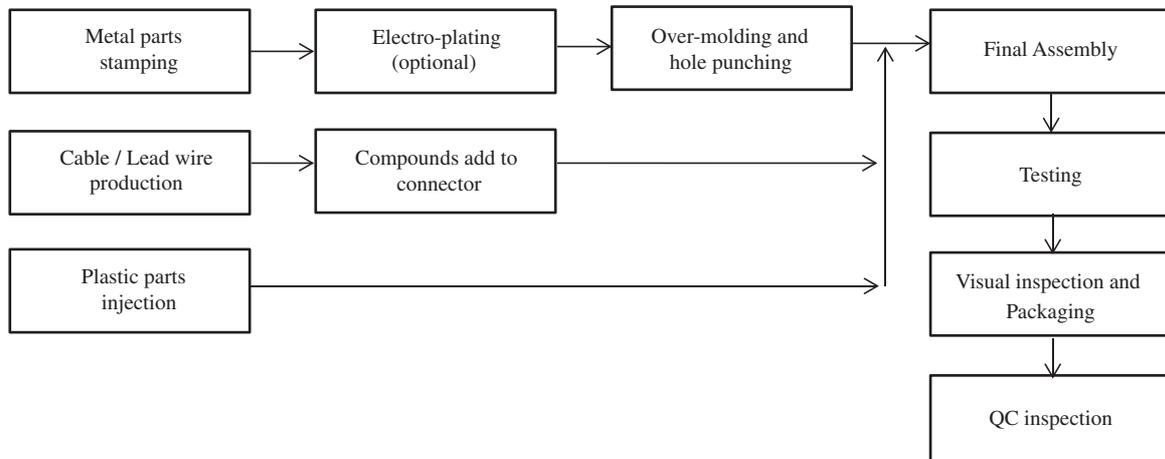


---

## BUSINESS

---

### *Other products — Parts*



### **Subcontracting**

We have subcontracted minimal parts of the manufacturing process including the plating and painting procedures to Independent Third Party subcontractors in close proximity to our production facilities. We selected our subcontractors after taking into consideration of factors such as location, reliability, production capacity, product quality and price. In addition, we have also identified alternative subcontractors which will be able to provide plating services on similar terms should such need arise. During the Track Record Period, we incurred subcontracting costs of HK\$4.7 million, HK\$3.8 million, HK\$3.2 million and HK\$1.6 million respectively.

### **PROCUREMENT OF RAW MATERIALS**

#### **Raw materials**

Our Group purchases our major materials including copper wire, plastic resin, metal parts and electronic components based on expected volume of production orders and our customers' rolling forecasts.

## BUSINESS

The following table sets out the amount of each type of raw materials and their approximate percentage during the Track Record Period:

	Year ended 30 September						Eight months ended 31 May			
	2013		2014		2015		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Copper wire	41,417	21.6	46,430	23.8	41,417	21.8	28,819	22.5	17,367	18.5
Plastic resin	33,053	17.2	31,247	16.0	27,824	14.7	19,617	15.3	14,978	16.0
Metal parts	20,833	10.9	22,702	11.6	20,243	10.7	14,067	11.0	10,381	11.1
Electronic components	33,514	17.5	36,207	18.5	30,963	16.3	21,772	17.0	23,242	24.8
Copper roll/sheet	9,154	4.8	9,271	4.8	8,938	4.7	6,394	5.0	4,463	4.7
Metal raw materials	8,464	4.4	8,054	4.1	6,876	3.6	4,767	3.7	2,880	3.1
Cable/lead wire	11,528	6.0	10,000	5.1	7,513	4.0	5,313	4.1	4,297	4.5
LED	3,093	1.6	5,425	2.8	4,474	2.4	2,825	2.2	2,943	3.1
Others	30,938	16.0	25,743	13.3	41,660	21.8	24,502	19.2	13,304	14.2
	<u>191,994</u>	<u>100.0</u>	<u>195,079</u>	<u>100.0</u>	<u>189,908</u>	<u>100.0</u>	<u>128,076</u>	<u>100.0</u>	<u>93,855</u>	<u>100.0</u>

Our total cost of raw materials used during the Track Record Period amounted to approximately HK\$192.0 million, HK\$195.1 million, HK\$189.9 million and HK\$93.9 million, which accounted for approximately 71.5%, 71.5%, 73.2% and 67.6%, respectively, of our cost of sales for each of the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, respectively.

We mainly purchased our raw materials from Hong Kong and the PRC which accounted for a total of approximately 85.1%, 88.3%, 81.2% and 89.5%, respectively, of our total cost of raw materials, for the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, respectively.

During the Track Record Period, there was no material amount of defective raw materials returned to our suppliers or unsatisfactory finished products reprocessed or disposed by our Group.

### Management of the cost of raw materials

To ensure a stable supply of raw materials, we adopt a general policy of purchasing raw materials from multiple sources wherever possible. We do not enter into any long-term contracts with our suppliers. We purchase raw materials from our suppliers through purchase agreements initiated by quotations, which generally set forth the types of raw materials to be purchased, the specifications and the price which generally reflects the prevailing market price. We do not have formalised hedging policies against any risks of fluctuation in the raw material costs, but we closely monitor the market prices of the raw materials. During the Track Record Period, the market price of copper has experienced fluctuation which can be seen from the paragraphs headed “Copper” in the “Industry Overview” section of this prospectus, while the market prices of the other raw materials used by us remained relatively stable. In case of any substantial increase in the market price of copper after we accepted the orders from our customers, we had successfully negotiated with our customers to adjust the prices of our products so that part of the increase in market price of copper was passed on to our customers.

---

## BUSINESS

---

### SUPPLIERS

We select our suppliers based on product quality, reliability, price and compatibility. Our raw material procurement policy is to select only those suppliers on our approved list who have passed our quality control tests and have a satisfactory record of quality and on-time delivery.

Some of our customers require us to procure and source certain materials from designated suppliers. Our Customer D has requested us to procure and source LED from a LED supplier in the PRC. Cost of LED from such supplier amounted to HK\$3.1 million, HK\$5.4 million, HK\$4.5 million and HK\$2.2 million for the three years ended 30 September 2015 and the eight months ended 31 May 2016, respectively. Customer C has requested us to procure and source certain electronic components from its associated supplier in Japan and Hong Kong. The costs of such electronic components from such associated supplier amounted to HK\$3.4 million, HK\$4.1 million, HK\$3.1 million and HK\$2.4 million for the three years ended 30 September 2015 and the eight months ended 31 May 2016, respectively. Apart from the above, our Group selects our suppliers at our own discretion.

We believe that we have established stable cooperative relationships with our key suppliers of raw materials, which enable us to obtain a reliable supply of most of the raw materials required by our business operations. We have not encountered any material disruption to our business as a result of a shortage of raw materials and we do not expect any material difficulties in procuring raw materials for our requirements.

The following table sets forth the details of our five largest suppliers during the Track Record Period:

#### For the eight months ended 31 May 2016

Supplier	Background	Products supplied	Length of relationship with us up to the Latest Practicable Date (approximately)	% of our total cost of sales	Credit period
Supplier A	A private trading company of copper wire in Hong Kong	Copper wire	9 years	11.7%	60 days
Supplier B	A private manufacturer of metal parts located in Dongguan, PRC	Metal parts	7 years	4.9%	60 days
Supplier C	A private manufacturer of copper roll located in Shenzhen, PRC	Copper roll	5 years	3.5%	90 days
Supplier G	A private distributor of plastic resin in the PRC	Plastic resin	6 years	2.1%	90 days
Supplier H	A private electronic components distributor in the PRC	Electronic components	3 years	2.0%	30 days

---

## BUSINESS

---

### For the year ended 30 September 2015

Supplier	Background	Products supplied	Length of relationship with us up to the Latest Practicable Date (approximately)	% of our total cost of sales	Credit period
Supplier A	A private trading company of copper wire in Hong Kong	Copper wire	9 years	15.3	60 days
Supplier B	A private manufacturer of metal parts located in Dongguan, PRC	Metal parts	7 years	5.4	60 days
Supplier C	A private manufacturer of copper roll located in Shenzhen, PRC	Copper roll	5 years	3.8	90 days
Supplier D	A private manufacturer of plastic resin in Hong Kong	Plastic resin	6 years	2.8	90 days
Supplier E	A private electronic components distributor in the PRC	Electronic components	5 years	1.3	60 days

### For the year ended 30 September 2014

Supplier	Background	Products supplied	Length of relationship with us up to the Latest Practicable Date (approximately)	% of our total cost of sales	Credit period
Supplier A	A private trading company of copper wire in Hong Kong	Copper wire	9 years	17.1	60 days
Supplier B	A private manufacturer of metal parts located in Dongguan, the PRC	Metal parts	7 years	5.7	60 days
Supplier D	A private manufacturer of plastic resin in Hong Kong	Plastic resin	6 years	3.8	90 days
Supplier C	A private manufacturer of copper roll located in Shenzhen, the PRC	Copper roll	5 years	3.6	90 days
Supplier E	A private electronic components distributor in the PRC	Electronic components	5 years	1.9	60 days

---

## BUSINESS

---

**For the year ended 30 September 2013**

<b>Supplier</b>	<b>Background</b>	<b>Products supplied</b>	<b>Length of relationship with us up to the Latest Practicable Date (approximately)</b>	<b>% of our total cost of sales</b>	<b>Credit period</b>
Supplier A	A private trading company of copper wire in Hong Kong	Copper wire	9 years	15.1	60 days
Supplier B	A private manufacturer of metal parts located in Dongguan, the PRC	Metal parts	7 years	4.5	60 days
Supplier C	A private manufacturer of copper roll located in Shenzhen, the PRC	Copper roll	5 years	3.6	90 days
Supplier D	A private manufacturer of plastic resin in Hong Kong	Plastic resin	6 years	2.9	90 days
Supplier F	A private manufacturer of plastic resin in Korea	Plastic resin	8 years	2.2	30 days

Our five largest suppliers have close business relationships with us for approximately six to nine years as at the Latest Practicable Date. For the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, purchases from our five largest suppliers accounted for approximately 28.3%, 32.1%, 28.6% and 24.2%, respectively, of our total cost of sales and purchases from our largest supplier accounted for approximately 15.1%, 17.1%, 15.3% and 11.7%, respectively, of our total cost of sales during the same period.

During the Track Record Period, our five largest suppliers are all Independent Third Parties and we are not reliant on any single supplier. None of our Directors or any of their respective associates or any Shareholder (who or which owns more than 5% of the issued shares of the Company immediately following completion of the Share Offer and the Capitalisation Issue) has any interest in our five largest suppliers during the Track Record Period.

### **Framework supply agreements**

Our purchase orders are generally made pursuant to the terms of a framework supply agreement that sets out some general terms that will be used in each purchase order. Each purchase order sets out all of the terms and conditions of each transaction, including the pricing terms, specification of the raw materials, quantity and date of delivery, and such purchase order is legally binding once it is accepted by the suppliers. Our suppliers generally grant us credit terms ranging from 30 to 90 days and the right to replace or refund the delivered goods in case of defective products. We generally settle our payments with our suppliers by bank remittance.

---

## BUSINESS

---

Our framework supply agreements with our suppliers generally do not contain any minimum purchase requirements. These agreements are legally binding and set out general terms and conditions that will apply to each of the purchase orders issued under such framework supply agreements. The salient terms of a common framework supply agreement are as follows:

- **Contract period:** We generally enter into framework supply agreements with a term of one year, which are generally automatically renewable for the same term.
- **Delivery and packing:** Our suppliers are usually required to deliver to us the raw materials in accordance with the agreed packing standard as stipulated in the framework supply agreements.
- **Quality control and return policy:** We conduct sampling tests on all incoming products and, in the event that the quality of the sampling does not meet our specifications set out in the agreement, we are entitled to return all products for repair, selectively accept products that pass quality check, or accept all products on a discounted price provided that the suppliers will be liable for any damages caused by utilising such products in our manufacturing. In the event that a complaint, return or claim for defective products comes to light after we have sold the products to our customers, our suppliers agreed to indemnify us for any losses incurred.

### QUALITY CONTROL

We believe that our commitment to the high quality and safety of our products is one of the principal factors contributing to our success. We place strong emphasis on product quality and safety by implementing a comprehensive quality control system in order to maintain our competitive edge.

Our quality control team is involved in the early stages of product development such that safety and reliability concerns are taken care of in the product design stage. This aims to prevent the occurrence of non-compliance during the later stages of product development and production-run. All products are tested to comply with customer requirements before they are put into production.

We manufacture finished products according to customers' requirements and specifications. In general, our customers will set out the requirements and specifications which include the standards and requirements in the markets where they will sell the products. We are also aware of the industry standards in most of our export territories, including North America and Europe. Accordingly, we also arrange for our finished products to be tested by internal laboratory and third party laboratories in the product design stage according to the relevant international standards. These costs are borne by our customers.

---

## BUSINESS

---

Our Group has obtained safety approvals and certificates issued by the testing and certification organisations in various countries for the products which we manufacture. As at the Latest Practicable Date, we have obtained the following certifications:

<b>Certifications</b>	<b>Countries</b>
UL	USA
CSA	Canada
ETL	USA
GS	Germany
CE	European markets
ASTA	United Kingdom
KC	Korea
NOM	Mexico
IRAM	Argentina
PSE	Japan
SAA	Australia

As at 31 May 2016, we have a quality control team of approximately 43 staff, all of whom have received relevant training.

We have compiled quality control instruction manuals and have implemented such manuals at various production stages in any effort to maintain our quality control standard. Comprehensive testing, inspection and process control are implemented at different stages of production, including:

### **Quality control of incoming raw materials**

We conduct sample testing on the incoming raw materials to ensure that their quality and measurement meet the prescribed quality standards of our Group and conform to our customers' requirements. Raw materials supplied by suppliers are required to go through an incoming material quality control procedure ("IQC") before acceptance. If the incoming materials pass the IQC, the materials are received. If the incoming materials fail in the IQC and we detect any substandard or defective raw materials, we will return the substandard and defective raw materials to the relevant suppliers for replacement in order to ensure that the raw materials supplied by them comply with the quality requirements in the IQC.

### **Quality control in the production process**

During production, to ensure that the products comply with the specifications and are free from defects, we carry out inspections at certain stages of the production process. Quality control staff are stationed at each stage of the production process to screen out products which are defective and to ensure that the quality of the products satisfy customers' designs and specifications as well as our stringent quality standards.

---

## BUSINESS

---

### **Quality control of the finished products**

Upon completion of the production process, the finished products will be transferred to the quality control department for random testing and inspection based on AQL standards to ensure that our products meet the specifications set out by our customers before delivery to our customers. Unsatisfactory products will be reprocessed or disposed of.

Our Directors believe that our commitment to high quality and reliability helps strengthen the recognition and trust among our customers which subsequently translate to increased orders with our Group.

### **Product return and warranty**

In the event that we receive complaints from our customers about the quality of our products, we will obtain the relevant information from our customers. Our quality control department will be responsible for examining and analysing the defective products and arrange for product return or replacement if our customer's complaint is determined to be valid and justifiable.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material dispute arising from or in connection with the quality of our products. Our Directors consider that the number of returned products was insignificant and no provision for product return had to be made during the Track Record Period.

## **DESIGN AND DEVELOPMENT**

We believe that successful design and development is crucial for us to stay competitive in the industry. The EMS industry is characterised by rapid technological advancements. We place great emphasis on developing and improving our products in order to remain competitive in the ever-changing industry.

We engage in various design and development activities, including: (i) concurrent development of new product designs with our customers; (ii) improvement of product quality, efficiency and functions of existing products; (iii) in-project calibration and optimisation of the production processes and equipment; (iv) introduction and promotion of the use of new production technologies and new production materials; and (v) assessment of the future prospect and development trend of the EMS industry. As at 31 May 2016, our engineering team consisted of 21 engineers which were dedicated to design and development in our products, and our key engineering personnel had an average of approximately 11 years of relevant experience, with most of them having received tertiary education or above.

## **INVENTORY CONTROL AND WAREHOUSING**

We consider that controlling the level of inventory is important to overall profitability. In order to effectively control our inventory levels, we generally plan the purchase of raw materials after the receipt and confirmation of customers' forecasts and orders. To ensure a stable supply of raw materials,

---

## BUSINESS

---

we adopt a policy of purchasing raw materials from multiple sources wherever possible. During the Track Record Period, we have not experienced any shortage of raw materials. We have implemented a computerised inventory control system to keep track of inventory levels. We also carry out physical stock counts at least once per annum. Our inventory is maintained on a first-in-first-out basis.

### **ENVIRONMENTAL PROTECTION, HEALTH AND WORK SAFETY**

Due to the nature of our business, our operational activities generate air pollutants, for which we have installed the air purifying facilities in the Songgang Factory, and did not impose obvious influence on the surrounding environment. We have not incurred any significant cost of compliance with applicable environmental protection rules and regulations during the Track Record Period. Our Directors expect that our Group will not directly incur significant costs for compliance with applicable environmental protection rules and regulations in the future. As at the Latest Practicable Date, our Group had not come across any material non-compliance issues in respect of any applicable laws and regulations on environmental protection.

Our Group has established procedures to provide our staff with a safe and healthy working environment by providing work safety rules in the staff manual for our staff to follow. In addition, our Group provides our employees with occupational safety education and training to enhance their awareness of safety issues. Our Group follows the health and safety-related rules and regulations in accordance with the Occupational Safety and Health Ordinance and sets the requirements for workplace environmental control and hygiene at workplaces pursuant to the Occupational Safety and Health Ordinance. During the Track Record Period, our Group did not experience any significant incidents or accidents in relation to workers' safety or any non-compliance with the applicable laws and regulations relevant to the work safety and health issues.

### **COMPETITION**

#### **1. Concentrated market in solenoid coil sector in China**

According to the Euromonitor Report, the five largest manufacturers in the solenoid coils sector have in aggregate covered approximately 78.9% of the market share of the solenoid coil sector in China in 2015 based on sales value. All of them are foreign brands, while four of them are multinational listed corporations. The five largest companies have accounted for the major share of the whole market as they not only offer a wide variety of products but also better quality than other domestic enterprises.

#### **2. Fragmented market in the industrial grade charger sector in China**

According to the Euromonitor Report, the five largest manufacturers in the industrial grade charger sector only accounted for around 34.6% of the market share of the industrial grade charger sector in China in 2015.

---

## BUSINESS

---

We compete with other manufacturers in the PRC in aspects such as pricing, product quality and research and development capabilities. The main entry barriers into the EMS industry in the PRC include capital requirements and customer relationships. Our Directors believe that our Group's competitive strengths, details of which are set out in the paragraph "Competitive Strengths" in this section, distinguish us from our counterparts and place us in a competitive position in the EMS industry in the PRC. Please refer to the section "Industry Overview" for further details.

### 3. Competition with manufacturers in the PRC and other countries

During the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, the revenue generated from the U.S. accounted for approximately 46.1%, 54.2%, 56.7% and 53.1% of our total revenue, respectively. The revenue generated from the UK and the rest of Europe amounted for approximately 23.2%, 20.0%, 19.5% and 21.4% of our total revenue during the said periods, respectively.

Since our Group's customers are located in various countries outside China, the Group is facing competition from the global manufacturers as well as Chinese manufacturers who are engaged in export sales. Our Directors believe that our production efficiency and product development capacity will be increased in the new production plant and this will place the Group in a more price competitive position.

## INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, our Group has six registered trademarks which we consider are material to our business and we have also registered our domain name, [www.pantronicshk.com](http://www.pantronicshk.com). Detailed information of our intellectual property rights are set out in the section headed "Intellectual property rights" in Appendix VI to this prospectus.

Our Directors confirm that we did not experience any infringement to our intellectual property during the Track Record Period which has had a material adverse effect on our business, results of operations, financial condition and prospects. During the Track Record Period, our Directors confirmed that we did not receive any infringement claims nor had we filed any infringement claims against any third parties.

## PROPERTIES

### Owned properties

As at the Latest Practicable Date, we owned two parcels of industrial land with a total site area of approximately 10,701 sq.m, located in Songgang, Shenzhen, Guangdong Province, the PRC. We were granted with the land use rights of these two adjoining land parcels for a term of 50 years expiring on 3 September 2042. As at 31 May 2016, the net carrying amount of the two parcels of land and the five buildings was approximately HK\$10,985,000. Based on the Property Valuation Report in Appendix IV prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the market value of the two parcels of land and five buildings was RMB28,713,000.

---

## BUSINESS

---

We have constructed five buildings with an aggregate gross floor area of approximately 12,639.44 sq.m. on the two parcels of land for industrial workshops, warehouse, administration building, dormitory and maintenance uses. We have obtained the title certificates for two of these buildings, with an aggregate gross floor area of approximately 9,716.90 sq.m. As at the Latest Practicable Date, the said two parcels of land and the two buildings with title certificates were in compliance with the approved uses prescribed in the title certificates and free of any mortgages.

We have not obtained the title certificates in relation to three buildings, with an aggregate gross floor area of 2,922.54 sq.m., which are used for industrial workshops, warehouse and maintenance. We may not be able to obtain the title certificates in relation to the three buildings due to our failure to obtain the necessary construction permits before these three buildings were constructed. These three buildings may be subject to penalty and demolition which may be imposed by the relevant planning authorities according to the applicable laws. Our Directors confirm that, as at the Latest Practicable Date, the Company had not received any claims or notices or warning letters from the relevant governmental authorities on our failure to obtain the necessary construction permits of our owned properties. For more information, see “Risk factors — Valid title certificates of certain properties in the Songgang Factory have not yet been obtained” and “Business — Non-compliance matters”.

### **Leased properties**

As at the Latest Practicable Date, we are using six buildings with an aggregate gross floor area of approximately 19,788 sq.m, located in Songgang, Shenzhen, Guangdong Province, the PRC leased from an Independent Third Party (the “Landlord”). Four of the leased buildings are used for industrial workshops and warehouse, representing approximately 41.59% of the total gross floor area of the Songgang Factory, and two buildings are used for dormitories, representing approximately 19.43% of the total gross floor area of the Songgang Factory. The lease has been extended with expiry on 31 December 2017.

As confirmed by the Landlord, the leased buildings are brought into the Historical Unauthorised Buildings for the purpose of ratifying their valid title. As at the Latest Practicable Date, the leased buildings are still in the process of the governmental review and yet to be ratified. Given that (i) our leased buildings did not fall into the Historical Unauthorised Buildings legally required to be demolished, (ii) our leased properties were not brought into the 2016 Expropriation Projects, (iii) the leased buildings are located in the zone for industrial purpose based on the current planning and (iv) it generally takes two years to demolish or alter the buildings after they are announced to be included in the urban renew or expropriation project, our PRC Legal Advisers advised that the chance of our leased properties being demolished or expropriated before the end of 2018 is remote. Our Directors confirm that, as at the Latest Practicable Date, the Company had not received any claims or notices or warning letters from the relevant governmental authorities on the defective titles of our leased properties. For more information, please refer to the section headed “Risk factors — Valid title certificates of certain properties in the Songgang Factory have not yet been obtained” in this prospectus.

In the remote circumstance that our lease is terminated or becomes void, we have formulated the relocation plan to move our main production lines in stages to minimise the adverse impact on our business operation.

---

## BUSINESS

---

### RELOCATION TO THE NEW MANUFACTURING FACILITY

The Group started off its business in 1983 as an OEM manufacturer, engaged in the manufacturing and trading of power-related electrical and electronic products according to standard specifications provided by our customers.

The Group, from 1996 to 2002, had been highly focused on the large-scale production of a single product, i.e. linear voltage converters, which represented approximately 83% of the Group's annual revenue in 1996. The Group's existing production facility (including the plant design and production flows) in the Songgang Factory, which commenced production in 1995, was designed and constructed to cater for the large-scale production of a single product.

After 2000, the Group expanded its range of production on an OEM basis to meet changing market conditions. During the same period, there was also a growth in the EMS industry. Driven by our customers' demands for the Group to design products according to the customers' specifications, the Group developed from an OEM manufacturer of power-related electrical and electronic products to become an EMS provider whereby the Group's engagement with customers commences from the initial design stage to production, assembly, quality control, packaging and shipping services, with customer-manufacturer collaborations and input right from the initial stage. With a shift from the OEM model to the EMS model, the Group aims to (i) satisfy customer demands and expectations; (ii) widen its product and customer base and (iii) improve profitability through the provision of engineering and design services.

In the 21<sup>st</sup> century, the PRC Government has started encouraging industries, particularly in Southern China and Shenzhen, to move from the OEM model to other models with higher added value. In order to implement the Group's shift in focus from the OEM model to the EMS model, the Group has refined the product design and production process by equipping itself with a wide variety of design, engineering and manufacturing capabilities. The Group can now offer a complete EMS services package to its customers.

When the Group was transitioning from an OEM model to an EMS model during 2001 to 2004, the production facilities and machineries were relatively new and were sufficiently adequate to sustain the Group's production requirements at that period of time. The EMS industry has undergone a significant change in the last decade. The labour-intensive production model has gradually changed to a higher-reliance on technologically advanced machines and equipment. Moreover, our Directors noticed that the customers' expectations have also changed in that period as they demand a full design, engineering and production services in order to meet product specifications. Our Directors understand that the existing production facilities are no longer efficient and technologically advanced enough to meet the existing and new customers' demands

---

## BUSINESS

---

In addition, the Directors note that (i) as at 31 May 2016, we owned and operated over 100 units of machines of which around 69 units have been used for over 10 years; (ii) production facilities have been used for approximately 20 years; (iii) certain parts of the manufacturing and operational process have become inefficient as a result of the change of the business model from OEM to EMS, and (iv) the manufacturing process to meet customer and market demand in the EMS industry requires less workers, resulting in more unutilised space in the Songgang Factory. The Group's headcount dropped from 4,111 in 1996 to 838 as at 31 May 2016.

According to the Euromonitor Report, in the PRC, the projected growth in sales values of solenoid coils and industrial grade chargers is at a CAGR of 4.6% and 4.0% respectively from 2016 to 2020 and that of LED lighting is at a CAGR of 18.3% from 2016 to 2020. Our Directors are of the view that the capabilities of the current production facilities at the Songgang Factory are not and will not be advanced enough and lack the efficiency and effectiveness to capture the projected growth.

In light of the above observations, the Board resolved in a meeting held on 21 March 2016, that in order to achieve a long-term and sustainable business for the Group, it is in the best interests of the Group to relocate the manufacturing facilities to a self-contained leasehold manufacturing facility (the "Relocation").

Under the Relocation, the Group will not need an area of the size of its existing production plant as the new production plant will have an improved factory layout and will be equipped with automated and advanced machines and equipment. It is believed that the new production plan will (i) enable the production of tailor-made products according to our customers' specific requirements; (ii) increase the overall efficiency and effectiveness of the manufacturing and operational process; and (iii) reduce the production lead time and the production man-hours.

In view of the above in the context of changing customer demand and changing industry landscape, and the limitations of the Songgang Factory, our Directors believe that the Relocation plays a pivotal part in the Group's growth strategy for the coming years.

The details of the new manufacturing facility are summarised below.

➤ ***Location of new production plant***

Shenzhen Pantai entered into a legally-binding pre-lease agreement on 24 August 2016 (as amended and supplemented by a supplemental agreement) in relation to a new industrial complex (the "Property A") with an Independent Third Party (the "Landlord A") (the "Pre-lease Agreement").

---

## BUSINESS

---

The salient terms of the Pre-lease Agreement are summarised as follows:

Subject matter:	Shenzhen Pantai will enter into a formal lease agreement with Landlord A (the “Lease Agreement A”) once Landlord A obtains the construction planning acceptance and the construction completion acceptance.
Location of the property:	A portion of buildings in Senfeng Building located in Time Valley, Fangyuan Road, Gongming Street, Guangming New District, Shenzhen City, China (深圳市光明新區公明街道芳園路時間谷內之森豐大廈中的部分房屋)
Area:	Approximately 16,000 sq. meter
Expiry date of Pre-lease Agreement:	31 December 2016
Deposits for the Pre-lease Agreement:	RMB1,000,000
Lease period:	Nine years from the date entering the Lease Agreement A with two months of rent-free period (The leased property will be ready for moving in within one month after the Lease Agreement A is signed.)
Monthly rent:	1 <sup>st</sup> - 3 <sup>rd</sup> year: approximately RMB397,500 per month 4 <sup>th</sup> - 6 <sup>th</sup> year: approximately RMB487,000 per month 7 <sup>th</sup> - 9 <sup>th</sup> year: approximately RMB596,000 per month ( <i>Note</i> )
Monthly property management fee:	10% of the monthly rent

*Note:* On the first day of the seventh year of the lease period, the monthly rent will be calculated based on USD5.638 per sq.m. if the exchange rate of USD to RMB is higher than RMB6.6534 per USD.

The Directors have agreed to enter into Lease Agreement A with Landlord A once Landlord A has obtained the construction planning acceptance and the construction completion acceptance from the relevant government authorities. Our PRC Legal Advisers advised that Landlord A has submitted the application documents to the competent government authorities, i.e. Shenzhen Planning and Land Resources Commission, Guangming Administration Bureau (深圳市規劃和國土資源委員會光明管理局) and the construction quality monitoring authority of Shenzhen (深圳市工程質量監督機構) for the construction planning acceptance and the construction completion acceptance respectively.

Our PRC Legal Advisers indicated that there is no material legal obstacle against Landlord A in obtaining the property title certificate once Landlord A obtains the construction planning acceptance and the construction completion acceptance. Our PRC Legal Advisers also indicated that the competent property registration authority will register the property and issue to Landlord A the property title certificate within 30 working days after it accepts Landlord A’s submission of the application documents of the property title certificate. The items of the application documents include,

---

## BUSINESS

---

but not limited to, (i) the construction planning acceptance, (ii) the construction completion acceptance, (iii) the registration form, (iv) the business license of Landlord A, and (v) the title certificate of the land use right.

In view of the uncertainty of Landlord A to obtain the construction planning acceptance and the construction completion acceptance of the Property A before 31 December 2016, Shenzhen Pantai entered into a legally-binding lease agreement (the “Lease Agreement B”) in relation to an industrial complex (the “Property B”) with an Independent Third Party (the “Landlord B”) on 11 October 2016. As advised by our PRC Legal Advisers, Landlord B has obtained the valid title certificates of the Property B. Our Directors confirm that the Property B with an area of approximately 12,000 sq meter is sufficient for the Group’s manufacturing operation.

The salient terms of Lease Agreement B are summarised as below:

Location:	No. 36, Hengzhao Industrial District, Yangchong River Section, Songgang Street, Bao’an District, Shenzhen City, China (深圳市寶安區松崗街道洋沖河段恒兆工業區36號)
Area:	11,991.7 sq. meter
Commencement date of the lease:	1 November 2016
Lease period:	From 1 November 2016 to 31 December 2019
Monthly rent:	RMB215,851
Deposits for the Lease Agreement B:	RMB500,000
Termination:	During the period from 11 October 2016 to 1 January 2017, Shenzhen Pantai has the right to terminate the Lease Agreement B by giving a written notice to the Landlord B. In such case, the deposits for the Lease Agreement B will be forfeited. After 1 January 2017, the Lease Agreement B could be terminated by mutual agreement between Shenzhen Pantai and Landlord B.

The Company intends to relocate its current production plant in the Songgang Factory to the Property A and aims to enter into the Lease Agreement A if the Landlord A is able to obtain the construction planning acceptance and the construction completion acceptance prior to 31 December 2016. In this regard, the Relocation will be materialised as disclosed in this prospectus and the deposit of RMB1.0 million paid by the Group under the Pre-lease Agreement will become deposit under the Lease Agreement A.

The financial exposure to the Group will then be approximately RMB3.2 million, including (i) the payment of approximately RMB2.7 million (equivalent to eight months’ rental) to the Landlord for the early termination of the extended lease agreement; and (ii) the forfeiture of deposit of RMB500,000 under the Lease Agreement B. There is no additional payment or penalty under the Lease Agreement B upon serving of termination notice on or before 1 January 2017.

---

## BUSINESS

---

If Landlord A fails to obtain the above two approvals for Property A on or before 31 December 2016, the Directors have undertaken to procure the Group to commence the relocation of its production plant from the Songgang Factory to the Property B on or before 31 December 2016. The Group will not occupy the area with defective titles in the Songgang Factory. The Directors expect that some renovation work of Property B is required to be done before moving in (the “Renovation”) and the current production plant will be relocated to the Property B upon completion of the Renovation. As abovementioned, Shenzhen Pantai has extended the existing lease agreement of the Songgang Factory until 31 December 2017. Pursuant to the Pre-Leasing Agreement, in the event that Shenzhen Pantai and Landlord A fail to enter into Lease Agreement A due to reasons beyond control of both contracting parties, including but not limited to, issues arising from governmental authorities, the Group is entitled to a refund of RMB1.0 million. The Directors believe that the costs of the Relocation and time required for the Relocation will not exceed those under the relocation plan as disclosed in this prospectus. If the Group relocates to Property B, our financial exposure will be the payment of approximately RMB2.7 million (equivalent to eight months’ rental) to the Landlord for the early termination of the extended lease agreement.

➤ ***Production capacity***

In order to increase the level of automation in our production process and enhance our production efficiency in the new production facility, the Group intends to install two new SMT lines and purchase one set of testing machines, one set of quality assurance X-ray machines, 14 sets of new horizontal injection machines, two sets of auto-insertion machines and two sets of auto-winding machines. After streamlining and modernising the production process, it is expected that our production lines will be able to accommodate the production of a wider variety of products and adapt to changes in customer demands and market trends.

The below table sets out the number of machines in the Songgang Factory as at Latest Practicable Date and the estimated number of new machines in the new factory.

<b>Machine/line</b>	<b>Approximate number of unit(s) in the Songgang Factory</b>	<b>Number of new machines to be installed in the new factory</b>	<b>Number of machines to be disposed before the Relocation</b>	<b>Approximate number of unit(s) in the new factory</b>
SMT line	3	2	-1	4
CNC	4	0	0	4
Wire-Cut	7	0	0	7
RoHS Tester	1	1	0	2
Horizontal injection	50	14	-24	40
Vertical injection	17	0	0	17
Quality assurance X-ray machines	0	1	0	1
Auto-insertion machines	0	2	0	2
Auto-winding machines	0	2	0	2

---

## BUSINESS

---

The quality assurance X-ray machines, auto-insertion machines and auto-winding machines and two SMT lines will be purchased and installed in the new factory. These machines will contain capabilities which will enable the Group to produce tailor-made products according to the detailed specifications of customers, thereby allowing the Group to sell at higher prices.

The table below sets out the estimated annual capacity and utilisation rate of the new factory:

	<b>Estimated annual capacity of the Songgang Factory</b>	<b>Estimated annual capacity after relocating to the new factory</b>	<b>Estimated utilisation rate after relocating to the new factory</b>
	<i>('000 units)</i>	<i>('000 units)</i>	<i>%</i>
Solenoid coils	7,571	9,085	63.4%
Battery charger solution and power supply	2,016	2,621	61.3%
LED lighting	432	562	36.7%
Others — PCBA	720	936	70.9%
Others — Parts assembly	8,064	10,483	77.6%

The new factory's layout will provide a streamlined and more efficient manufacturing process. The new machines will increase the level of automation in the production process thereby potentially reducing the monthly labour cost by approximately HK\$240,000 (comprising a reduction in direct and indirect labour headcount).

### ➤ *Types of products*

Following the relocation to the new facility, the Group will strengthen its capabilities in product development. The Group plans to develop its products in accordance to the latest market trend with capabilities including connectivity through control systems, wireless applications and portable quick-charging power supply. The Directors are of the view that the Relocation will enhance such product development and capture profitable market opportunities.

In order to achieve the Group's long term goal on sustainable profitability, one of the Group's strategies is to continue investing in product development. To accomplish this goal, we will, based on our industry experience and market knowledge, carefully select our customers, and provide them with bespoke product design solutions with value-added services by applying our design, engineering and product development knowledge. The Directors are of the view that the focus of the Group is to produce high-margin products together with value added services, rather than the mass production of low margin products.

---

## BUSINESS

---

### 1. Solenoid Coils

Through the Relocation, there will be an additional 22 sets of new and automatic machines and the hiring of more product development personnel. Such improvements will enable the Group to produce a new generation of solenoid coils with a completely new design concept compared to our current solenoid coils. The new design is aimed at an easier coil production process by removing the over-moulding process of the existing one. Also, the new solenoid coils will have an interchangeable connecting terminal. This will enable the Group to be more price-competitive and to further penetrate our respective markets.

### 2. Battery charger solution and power supply

As our Group has more than 20 years of experience in providing battery charging and power supply solutions, the Relocation will enable us, with our strengthened product development capabilities and new equipment, to further develop portable and wireless power supply products along with smaller size circuit boards. The Directors are of the view that such strengthened product and technical capability will enable the Group to integrate into smaller circuit board with faster charging time in battery charging solutions for the telecommunication, mobile and consumer product industries.

### 3. LED lighting

LED lighting is currently used in a wide range of properties such as universities, hospitals, hotels, jewellery shops and commercial buildings. The Directors are of the view that they are confident in the future market potential in LED lighting industry. Our Group is planning to produce more advanced LED lighting which will have higher luminous flux and wider variety of colour ranks.

#### ➤ *Expected breakeven period*

The breakeven period, which is based on the forecasted sales and expenses upon commencement of operation of the new production plant, is estimated to be less than one year after commencement of operation in the new production plant.

#### ➤ *Expected payback period*

The payback period for the new production plant represents the years required by the Group to recover the relevant capital expected to be spent on the new production plant of approximately HK\$58.0 million. The payback period is calculated based on the Group's forecasted earnings before interest, tax, depreciation and amortisation. The estimated payback period for the new production plant will be approximately two years after the commencement of operation of the new production plant.

---

## BUSINESS

---

Based on our Relocation plan, the purchase of new machines and leasehold improvements will result in a significant increase in depreciation expenses until the new machines and leasehold improvements are fully depreciated. Moving to the new production plant will also lead to an increase in rental expenses.

### **Funding of the Relocation**

The Directors have planned to use approximately HK\$69.5 million of net proceeds from the Share Offer for the Relocation. Apart from funding the Relocation through the Listing, the Directors have considered others funding alternatives including extending its current banking facilities, additional bank borrowings and debt financing.

#### **> *Extending existing banking facilities***

The Group maintained short-term bank borrowings of HK\$18.3 million, HK\$40.4 million, HK\$43.9 million and HK\$34.9 million as at 30 September 2013, 2014 and 2015 and 31 May 2016, respectively.

Regarding the Group's gearing level, as at 31 May 2016, the Group's banking facilities in Hong Kong and China amounted to approximately HK\$85,479,000 (the "Total Banking Facilities"), comprising overdraft, confidential invoicing and import loans. The confidential invoicing facility and import facility, which amounted to HK\$81.6 million, is a factoring loan/asset-backed lending facility provided by the Company's banker in which the Group draws down a loan by submitting relevant sales invoices issued to customers or issued by suppliers. As at 31 May 2016, the Total Banking Facilities contain various covenants which, amongst others, certain facilities include the maintenance of the adjusted consolidated tangible net worth of one subsidiary of the Group at a certain level.

As at 31 May 2016, approximately HK\$34,922,000 of the Total Banking Facilities were drawn down with approximately HK\$50,557,000 remaining unutilised, representing approximately 59.1% of the Total Banking Facilities. The unutilised banking facilities include the confidential invoicing and the import loans, the drawdown of which is dependent upon the value of available sales and purchase invoices presented to the bank. As a result, the Group is unable to draw down all of its banking facilities in full. These facilities will only become fully accessible if our sales increase substantially. Even if the Group is able to drawdown all unutilised banking facilities of approximately HK\$50.6 million, the amount is not sufficient to finance the Relocation. The Directors have considered extending the existing banking facilities. However, the drawdown of the confidential invoicing and the import loans are dependent on the trading levels. Even if our current bankers were willing to increase the current facilities, their usage would be dependent upon the future trading levels. Moreover, the confidential invoicing and the import loans are short term financing while our Group will need a long-term financing to implement the Relocation.

---

## BUSINESS

---

The Directors have also considered extending the overdraft facilities. Based on our discussion with our banker, a higher level of overdraft banking facilities would usually require some form of collateral or personal guarantees from the Controlling Shareholders. The difficulty in using the Company's assets as security is further elaborated under the below sub-section of "Obtaining new term loans".

As a consequence, the Directors believe that any extension of current facilities would be difficult and insufficient to fund the Relocation and the Company's business strategies.

➤ *Obtaining new term loans*

The Directors have also considered obtaining a term loan from a financial institution. A term loan from a financial institution, secured on individual assets, is considered to be the common form of financing for capital expenditure projects. Based on our Directors' knowledge, a term loan would typically involve borrowings in China secured against assets with regular monthly repayments.

In the recent financial and economic climate, the Directors, observed that a cautious attitude has been adopted by financial institutions with regard to asset financing of Chinese manufacturing entities despite this being an opportune time for the Group to expand and modernise its production facilities. The financial institutions may be unwilling to commit to long-term loans. The Group is looking for term loans with a sufficiently long repayment term, preferably 10 years, for the repayment schedule not to compromise other working capital requirements. The reason for the Relocation is to grow the business, not just to move to a new premises so flexible working capital is essential for this.

Preliminary discussion with our major banker indicates that obtaining such finance from them would not be a feasible option as it would not meet the lending criteria of the banks. After a further discussion with the Group's major banker in Hong Kong, the Directors believe that a bank borrowing of approximately HK\$69.5 million would likely be in the form of a short term (usually one year and renewable annually). As of 31 May 2016, our cash and bank balances is in excess of our existing borrowings. However, the current low gearing ratio is not a determining factor as to the suitability for a bank loan of approximately HK\$69.5 million for reasons set out below.

Based on the amount required to fund the Relocation (approximately HK\$69.5 million) and the Group's existing level of borrowings, the Directors believe that, based on discussions with the existing banker and after due and careful consideration, any asset-backed loan would be extremely difficult to obtain and would not be in the Group's best interest due to the following reasons. Even if it is possible, the Directors believe that:

1. A short-term loan, which is based on annual re-negotiations, would be inappropriate, for the Group's business model. The Group is looking for a longer-term loan which would allow the business to grow. Assuming the Group is able to obtain a five-year term loan of approximately HK\$69.5 million using the Group's effective interest rate of borrowings for the eight months ended 31 May 2016 (i.e. 4.5% per annum), the total estimated interest expenses for five years will be approximately HK\$7.9 million and the annual capital repayments will be approximately HK\$14.0 million. The five-year term loan would therefore be a severe burden on the working capital requirements of an expanding business.

---

## BUSINESS

---

2. Security over our major assets would be an impediment to future growth where additional financing may be required for any strategic acquisitions, should the opportunity arise.
3. Bank borrowings will result in a higher interest burden in light of the capital requirements of the Relocation. Assuming the Group is able to obtain a one-year term loan of approximately HK\$69.5 million using the Group's effective interest rate of borrowings for the eight months ended 31 May 2016 (i.e. 4.5% per annum) as at 31 May 2016, the estimated interest expenses for one year would be approximately HK\$3.1 million. The gearing ratio, which is calculated as net debt divided by total equity, will be increased to approximately 210%.
4. Collateral and financial covenants could be onerous and place restrictions on our business operations.
5. The ability of our Group to obtain favourable bank borrowing terms is usually subject to the Group's profitability and financial position as well as the prevailing market conditions.

➤ ***Debt financing***

Apart from bank borrowings, the Directors have also considered debt financing, such as the issuance of corporate bonds. The Directors are of the view that the Group is not suitable for the issuance of corporate bonds for the following reasons: (i) given the Group's financial position, debt financing will usually result in a higher interest burden and a higher gearing ratio, especially in light of the capital requirements of the Relocation; (ii) given the business scale and the financial position of the Group, and despite the fact that the Group is currently has a nil gearing ratio, (i.e. our cash and bank balances are in excess of our total bank borrowings as at 31 May 2016) it will not be easy for the Group to find a sufficient number of investors to subscribe for the corporate bonds.

Assuming the Group is able to issue a ten-year term corporate bond of approximately HK\$69.5 million using the Group's effective interest rate of borrowings for the eight months ended 31 May 2016 (i.e. 5.0% per annum) as at 31 May 2016, the estimated interest expenses per annum will be approximately HK\$3.5 million. The gearing ratio, which is calculated as net debt divided by total equity, will be increased to approximately 210%.

As for equity financing, the Directors believe that the Listing provides an alternative and enables the Group to obtain financing outside the banking system, with direct access to the capital market for future growth and expansion. The Directors also believe that the Listing will fulfil our commitment to our long serving employees with the ability to offer marketable stock and stock options with further incentives which will also make the Group visibly more attractive to top talent in the future.

Having considered the alternatives above, the Directors are of the view that Listing is the most viable solution to finance the Relocation and the Group's business strategies.

---

## BUSINESS

---

### INSURANCE

We maintain an all-risk property insurance policy, including business interruption, in respect of our production facility in Songgang Factory which covers our land and buildings, production equipment and inventories.

These policies cover losses arising from fire and earthquake and other natural calamities in respect of production equipment and inventories. We believe that we are adequately insured against unforeseen accidental losses in line with industry practice. We have not made any material claims under our insurance policies and have not experienced any material business interruptions since we commenced operations.

In addition, we maintain public and products liability insurance for claims of personal damage or property damage arising from accidents relating to our products.

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

### Social insurance and housing provident fund contributions

As advised by the PRC Legal Advisers, our Group is required to make contributions, by way of employee's welfare and benefits, to various social insurance fund and the housing provident fund for our employees in the PRC as described below.

According to the applicable PRC laws and regulations, our Group shall make contributions to the social insurance and the housing provident fund for our employees in the PRC. The social insurance includes basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and work-related injury insurance. Based on the confirmation letters issued by the PRC competent governmental authorities, i.e. Shenzhen Social Insurance Fund Administration Bureau (深圳市社會保險基金管理局) and Shenzhen Housing Provident Fund Administration Centre (深圳市住房公積金管理中心), and the due inquiry conducted by our PRC Legal Advisers, our PRC Legal Advisers advised that, during the Track Record Period, Shenzhen Pantai made contributions to the social insurance and housing provident funds for its employees in the PRC and did not contravene the relevant PRC laws and regulations in all material respects. Our Group is also required to make housing provident fund contributions for our employees. Our Group's social insurance contributions and housing provident fund contributions for each of the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016 amounted to approximately HK\$3.6 million, HK\$4.5 million, HK\$3.9 million and HK\$3.1 million, respectively.

As such, our Directors believe that our insurance coverage is sufficient and adequate. During the Track Record Period, there were no incidents of serious employee injury reported. However, we will continue to review and assess our risk portfolio and make necessary and appropriate adjustments to our insurance practice.

---

## BUSINESS

---

### AWARDS, CERTIFICATES AND QUALIFICATIONS

As of the Latest Practicable Date, we had been granted the following major awards and certificates:

<u>Year of grant</u>	<u>Description</u>	<u>Awarding organisation</u>
2013 <i>(Note 1)</i>	Certificate for compliance with ISO9001:2008 standard applicable to the design and manufacturing of plugs, AC adaptors, transformers, battery chargers and switching mode chargers; manufacturing of AC/DC cord sets, fuse and plastic parts; manufacturing of solenoid coil.	T/A Intertek
2014 <i>(Note 2)</i>	Certificate for compliance with ISO14001:2004 (relating to environmental management systems)	T/A Intertek
2015	TS 16949:2009 (relating to automotive plastic part)	T/A Intertek

*Notes:*

1. Shenzhen Pantai was first accredited with ISO 9001:2008 compliance certification in 1994 and the current certificate will expire on 14 September 2018.
2. Shenzhen Pantai was first accredited with ISO14001:2004 compliance certification in 2000 and the current certificate will expire on 14 March 2017.

### LICENCES AND PERMITS

As advised by our PRC Legal Advisers, we have obtained and renewed all necessary licences and permits that are material to our operations in the PRC, and, save as disclosed in “Non-compliance Matters” below, our operations had complied with all the relevant requirements and rules of the competent authorities in the PRC in all material respects during the Track Record Period and as at the Latest Practicable Date.

### RISK MANAGEMENT

We believe that corporate governance and risk management are crucial to the development and success of our business. Therefore, we have adopted risk management measures in various aspects of our business operations such as financial reporting, legal compliance, information system and premises safety and human resources management.

---

## BUSINESS

---

We recognise the need for risk management in our strategic and operational planning, day-to-day management and decision making process and are committed to managing and minimising risks by identifying, analysing, evaluating and mitigating risk exposures that may impact the continued efficiency and effectiveness of our operations or prevent it from achieving its business objectives.

In addition, we also face various financial risks. Please refer to the paragraph headed “Quantitative and qualitative disclosure of financial risks” under the section headed “Financial information” of this prospectus for further details. There are various other risks to our business and industry. Please refer to the section headed “Risk factors” of this prospectus for more details. We will continuously monitor and improve our risk management measures to ensure that effective operation of those measures is in line with the growth of our business.

### CONNECTED TRANSACTIONS

During the year ended 30 September 2013, management fees of approximately HK\$4.49 million were paid to UPI (stock code: 0176). During the year ended 30 September 2014, management fees of approximately HK\$1.62 million were paid to SNH Global. Such management fees represent administrative expenses incurred by the Company in the respective periods being recharged to the Company by UPI (stock code: 0176) and SNH Global, respectively. The Company was one of the subsidiaries of UPI (stock code: 0176) prior to the management buyout on 30 May 2014. For further details of connected transactions, please refer to note 36 to the Accountant’s Report in Appendix I to this prospectus. Save as the above, during the Track Record Period, we did not enter into any other connected transactions. As at the Latest Practicable Date, we did not have any connected transactions which will be continued or carried out by us after the Listing which will be subject to reporting, announcement and shareholders’ approvals requirements under the Listing Rules.

### REGULATORY COMPLIANCE

During the Track Record Period up to the Latest Practicable Date, save as disclosed in the paragraph headed “Non-compliance matters” below, we had complied with all major applicable laws and regulations in Hong Kong and the PRC in all material respects and had obtained all necessary approvals, permits, licenses and certificates that are material to our business operations from the relevant government authorities.

### LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any litigation, claim, administrative action or arbitration which had a material adverse effect on the operations or financial condition of our Group.

---

## BUSINESS

---

### NON-COMPLIANCE MATTERS

Sets out below are the non-compliances relating to our Group during the Track Record Period:

**Three buildings in the Songgang Factory have not yet obtained and may not be able to obtain the relevant title certificates.**

#### *Details of the non-compliance incident*

We have not obtained the title certificates in relation to three buildings, with an aggregate gross floor area of approximately 2,922.54 sq.m., representing about 9.01% of the total gross floor area in the Songgang Factory, which are used for industrial workshops, warehouse and maintenance. We may not be able to obtain the title certificates in relation to the three buildings due to our failure to obtain the necessary construction permits before these three buildings were constructed.

The failure to obtain the necessary construction permits and the title certificates was due to unintentional oversight of the employee who was responsible for the relevant procedures of the permit application.

#### *Legal consequences and potential maximum penalty/fine*

Pursuant to the Urban and Rural Planning Law of the PRC (中華人民共和國城鄉規劃法), if a construction project proceeds without obtaining the construction works planning permit or in violation of the requirements thereof, the relevant planning authorities have the right to order the construction entity to stop construction. If it is still possible for the construction entity to take measures to eliminate the impact on the implementation of the planning, the relevant planning authorities shall order the construction entity to correct within a specified period and impose a fine ranging from 5% to 10% of the construction cost; if it is impossible to take measures to eliminate the impact, the relevant planning authorities shall order the construction entity to demolish the buildings within a specified period or confiscate the material objects or the illegal gain if the buildings are unable to be demolished, and may also impose a fine not more than 10% of the construction cost. As a result, the relevant planning authority may require us to demolish these three buildings within a specified period and impose on us a fine up to RMB48,842.4 calculated based on 10% of the construction costs.

#### *Remedial actions*

We have been using these three buildings for a long time, and up to the Latest Practicable Date, our Group had neither received any demand for demolition of such buildings nor been fined in relation to such buildings. Our Directors consider that, in the event that the local government authorities require us to demolish all or any of the buildings at the Songgang Factory for which we had failed to obtain the necessary title certificates before the Latest Practicable Date, the impact thereof on our Group's operation should not be material as (i) these three buildings are not critical to our business operation; and (ii) we have identified two potential locations for relocation of the relevant production facilities.

---

## BUSINESS

---

Together with the cost of demolishing the three buildings of approximately RMB73,000 and a fine of maximum amount of approximately RMB48,842 which may impose on us, our maximum financial exposure in relation to the demolition of the three buildings will amount to approximately RMB122,000. Despite that our Directors are of the view that the possibilities of being required to demolish the three buildings is remote, should we are required to do so, after taking into account the impact of the maximum exposure on our financial position and business operation, our Directors are of the view that the demolition of the three buildings would not have any material impact on our Group. Also, the Controlling Shareholders entered into the Deed of Indemnity to indemnify all losses and liabilities that the Group may suffer due to the failure to obtain the title certificates in relation to the three buildings.

Our Group will undertake stringent supervisory measures with the assistance of its external legal adviser to ensure future compliance with relevant PRC legal and regulatory requirements in the event there is new construction project or other building maintenance work if there is any issue on building safety.

### *Internal control measures to ensure on-going compliance*

Our Company will engage an external legal adviser to provide training on the updated rules and regulation from time to time to ensure future compliance with relevant PRC legal and regulatory requirements. In addition, prior to the lease/purchase of properties, the external legal adviser will also be engaged to perform due diligence on the relevant landlord/seller to confirm the title of the property. The external legal adviser will also provide legal advice to the Company regarding the legality, validity and enforceability of the documents obtained from the landlord/seller. Our Director, Mr. Ho, will report to the Board on the results of the due diligence, work progress and registration progress.

In the unlikely event that we are required to vacate our existing production plant, we will be sufficiently advanced in our planned move to the new production facilities. Please refer to the section headed “Business — Business strategies” of the prospectus for the details of our relocation plan.

Our Group would emphasise that the actual risk of being forced out of the existing production facility is low based on the fact that our Group has leased the facility for over 21 years and has always been able to renew the lease agreement without any difficulties.

### **Deed of Indemnity**

Our Controlling Shareholders have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for its subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, all claims, payments, suits, damages, settlements, payments, fines, actions, liabilities and any associated costs and expenses which may be incurred or suffered by our Group directly or indirectly, from or on the basis of or in connection with any litigation, arbitration and/or legal proceedings against any member of our Group which was issued and/or

---

## BUSINESS

---

accrued and/or arising from any act, non-performance, omission or otherwise of any member of our Group occurred at any time on or before the Listing Date. This further protects our Group from any material adverse consequence due to any claims incurred on or before the Listing Date. Further details of the Deed of Indemnity are set out in the Appendix VI to this prospectus.

Our Directors are satisfied that our Controlling Shareholders have sufficient financial resources to honour their obligations to provide indemnities in respect of the aforesaid outstanding claim against our Group under the Deed of Indemnity. Our Directors, after carrying out enquiries on the facts and circumstances leading to the non-compliances, have considered that the non-compliances have no material financial and operational impact on our Group.

---

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

---

### OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Share Offer, Mr. Hsu, through SNH Global and New Wave, holds approximately 70% of our Company's issued shares (without taking into account the Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), and will remain as our Group's Controlling Shareholders. For details regarding the shareholding interest of the Controlling Shareholders, please refer to the section headed "Substantial Shareholders" in this prospectus.

Our Controlling Shareholders have confirmed that none of them and their respective associates is interested in any business which competes or is likely to compete, directly or indirectly with the business of our Group.

Our Controlling Shareholder, Mr. Hsu, is the non-executive Director of our Company. For further details, please refer to the section headed "Directors, senior management and employees" in this prospectus.

### INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

The Directors consider that our Group is capable of carrying on its business independently from the Controlling Shareholders and their associates after Listing for the following reasons:

#### Management independence

Our management and operational decisions are made by our Board and senior management. Our Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. Although Mr. Hsu, who is also the director of SNH Global and New Wave, holds directorship in our Company, we consider that our Board and senior management will function independently from our Controlling Shareholders because:

- (a) each Director is aware of his/her fiduciary duties as a Director which require, amongst others, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (b) 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 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 Group has also adopted certain corporate governance measures for situation of conflicts, details of which are set out in the paragraph headed "Corporate governance measures" in this section; and
- (c) all our senior management members are independent from our Controlling Shareholders. They have substantial experience in the industry we are engaged in and have served our Group for a period of time during which they have demonstrated their capability of discharging their duties independently from our Controlling Shareholders.

---

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

---

### **Operational independence**

Our Group has established its own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group also has its own production facilities, plant and machinery and they are either owned by our Group or leased from independent third parties. Our Group has not shared operational resources, such as suppliers, customers, marketing, sales and general administrative resources with our Controlling Shareholders and/or their associates. As such, the Directors are of the view that there is no operational dependence on our Controlling Shareholders.

### **Financial independence**

We have independent financial systems and make financial decisions according to our own business needs. During the Track Record Period, our Controlling Shareholders provided corporate guarantees over certain banking facilities of the Group and there were certain amount due to and from our Controlling Shareholders. As at the Latest Practicable Date, all corporate guarantees provided by our Controlling Shareholders have been released and all amounts due to and from our Controlling Shareholders have been fully repaid and settled. For more information about the corporate guarantees and amounts due to and from our Controlling Shareholders, please refer to the sections headed “Financial information — Indebtedness — Pledge of assets” and “Financial information — Amount(s) due from/(to) fellow subsidiaries/the immediate holding company/the former ultimate holding company” in this prospectus and Notes 21 (Shareholder Loan), 22 (Amount(s) due from/(to) fellow subsidiaries/the immediate holding company/the former ultimate holding company) and 23 (Loan to the immediate holding company) of the Accountant’s Report set out in Appendix I to this prospectus. As of the Latest Practicable Date, (i) we did not have any outstanding loans or borrowings from any of our Controlling Shareholders or any of their respective associates; and (ii) there were no bank borrowings for which any of the Controlling Shareholders have provided personal guarantee. Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the Share Offer as we expect that our working capital will be funded by our operating income and bank borrowings.

### **DEED OF NON-COMPETITION**

In order to avoid any future competition between our Group and the Controlling Shareholders, each of Controlling Shareholders has executed the Deed of Non-competition with our Company (for itself and as trustee for its subsidiaries) on 27 October 2016. Pursuant to the Deed of Non-competition, each of the Controlling Shareholders has irrevocably and unconditionally undertaken to our Company (for itself and as trustee for its subsidiaries) that, during the period that the Deed of Non-competition remain effective, he/it shall not, and shall procure that his/its associates (other than any member of our Group) not to, directly or indirectly, develop, acquire, participate in, hold any right or interest or invest in or engage in, render any services for or otherwise be involved in any business in competition with or likely to be in competition with the existing business activities of any member of our Group.

Each of the Controlling Shareholders further undertakes that if he/it or his/its associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/it shall (and he/it shall procure his/its close associates to) notify our Company in writing and our Company shall have a right of first refusal to take up such

---

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

---

business opportunity. Our Company shall, within 6 months after receipt of the written notice (or such longer period if our Company is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Controlling Shareholders whether our Company will exercise the right of first refusal or not.

Our Group shall only exercise the right of first refusal upon the approval of all the independent non-executive Directors (who do not have any interest in such opportunity). The relevant Controlling Shareholders and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest (including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal).

The Deed of Non-competition is conditional upon the fulfilment of the following conditions:

- (i) the Listing Division granting the approval for the listing of, and permission to deal in, our Shares; and
- (ii) the fulfilment of the conditions precedent under the Underwriting Agreement (including waiver of any conditions precedent by the Underwriters, if applicable) and the Underwriting Agreement not being terminated.

If any of such conditions is not fulfilled on or before the date agreed between the Underwriters and our Company or the Underwriters and our Company have agreed to terminate the Underwriting Agreement thereafter, the Deed of Non-competition shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate when (i) a Controlling Shareholder whether individually or taken together with his/its close associates, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the issued shares of the Company; or (ii) our Shares shall cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of our Shares on the Stock Exchange due to any reason).

## CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in the best interests of our Company and our Shareholders as a whole.

To avoid potential conflicts of interest, our Group will implement the following measures:

- (a) our Controlling Shareholders will make an annual confirmation as to compliance with her/its undertaking under the Deed of Non-competition for inclusion in the annual report of our Company;

---

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

---

- (b) our Board is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on our Board which can effectively exercise independent judgment. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient calibre, 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 impartial and professional advice to protect the interests of the minority Shareholders. Please refer to the section headed “Directors, senior management and employees” of this prospectus for further details of our independent non-executive Directors;
- (c) our Company has appointed Octal Capital Limited as our compliance adviser, which will provide advice and guidance to our Company in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors’ duties and internal controls. Please refer to the section headed “Directors, senior management and employees — compliance adviser” in this prospectus for further details in relation to the appointment of compliance adviser;
- (d) our Controlling Shareholders undertake to provide all information requested by our Group which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition; and
- (e) our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with the Deed of Non-competition; and (ii) all the decisions taken in relation to whether to pursue the new opportunity under the Deed of Non-competition.

---

## SUBSTANTIAL SHAREHOLDERS

---

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons/entities will have interests or short positions in our Shares or underlying Shares which would 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 nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings:

#### Long position

<u>Name</u>	<u>Capacity/Nature of Interest</u>	<u>Number of Shares</u>	<u>Approximate percentage of shareholding interest of our Company</u>
Mr. Hsu	Interest of a controlled corporation ( <i>Note 1</i> )	210,000,000	70%
New Wave	Beneficial owner	210,000,000	70%
SNH Global	Interest of a controlled corporation ( <i>Note 2</i> )	210,000,000	70%
Ms. Ng Mei Yi Diana	Interest of spouse ( <i>Note 3</i> )	210,000,000	70%

#### Notes:

1. Mr. Hsu beneficially owns all of the issued shares of SNH Global and SNH Global beneficially owns all of the issued shares of New Wave. Therefore, Mr. Hsu is deemed, or taken, to be interested in the Shares held by New Wave for the purpose of the SFO. Mr. Hsu is a director of SNH Global and New Wave.
2. SNH Global beneficially owns all of the issued shares of New Wave. Therefore, SNH Global is deemed, or taken, to be interested in the Shares held by New Wave for the purpose of the SFO.
3. Ms. Ng Mei Yi Diana is the spouse of Mr. Hsu. Accordingly, Ms. Ng Mei Yi Diana is deemed, or taken to be, interested in the Shares which Mr. Hsu is interested in for the purpose of the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following 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), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the issued voting shares of any other members of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

---

## SHARE CAPITAL

---

### SHARE CAPITAL

Without taking into account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, the share structure of our Company immediately following the Capitalisation Issue and the Share Offer will be as follows:

*Maximum authorised shares*

500,000,000 Shares of HK\$0.001 each	HK\$500,000.00
--------------------------------------	----------------

*Shares in issue or to be issued, fully paid or credited as fully paid:*

200,000 Shares in issue	HK\$200.00
236,800,000 Shares to be issued under the Capitalisation Issue	HK\$236,800.00
63,000,000 Shares to be issued under the Share Offer	HK\$63,000.00

*Total*

300,000,000 Shares	HK\$300,000.00
--------------------	----------------

### RANKING

The Offer Shares will rank *pari passu* in all respects with all our Shares now in issue or to be issued as mentioned in this prospectus, and in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares after the date of this prospectus, save for entitlements under the Capitalisation Issue.

### SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Please refer to the section headed “Statutory and general information — D. Share Option Scheme” in Appendix VI to this prospectus for details of the principal terms of the Share Option Scheme.

---

## SHARE CAPITAL

---

### GENERAL MANDATE TO ISSUE SHARES

The Directors have been granted a general unconditional mandate to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares upon exercise of any subscription rights attached to any warrants or convertible securities or pursuant to the exercise of any options which might be granted under the Share Option Scheme or any other option scheme(s) or other similar arrangements or under the Share Offer or any scrip dividends in accordance with the Articles or a specific authority granted by the Shareholders, Shares or securities or options convertible into Shares and to make or grant offers and agreements which or might require Shares to be allotted with such number of Shares not exceeding the sum of:

- (a) 20% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (not including Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme); and
- (b) the total number of Shares repurchased by the Company (if any) pursuant to the general mandate to repurchase Shares referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and the Articles or the Companies Act or any other applicable laws of the BVI to be held; or
- (c) the time when such mandate is revoked or varied by a resolution of the Shareholders in general meeting.

Please refer to the section headed “Statutory and general information — A. Further information about our Company and our subsidiaries — 3. Written resolutions of our sole Shareholder passed on 27 October 2016” in Appendix VI to this prospectus for further details of this general mandate.

### GENERAL MANDATE TO REPURCHASE SHARES

The Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase Shares with such number of Shares not exceeding 10% of the total number of Shares in issue following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon 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 on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, and such repurchases are made in

---

## SHARE CAPITAL

---

accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information — A. Further information about our Company and our subsidiaries — 6. Repurchase of our Shares” in Appendix VI to this prospectus.

The general mandates to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and the Articles or the Companies Act or any other applicable law of the BVI to be held; or
- (c) the time when such mandate is revoked or varied by a resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed “Statutory and general information — A. Further information about our Company and our subsidiaries — 6. Repurchase of our Shares” in Appendix VI to this prospectus.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

As a matter of the Companies Act, a BVI business company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in the section headed “Appendix V — Summary of the constitution of our Company and the British Virgin Islands company law” to this prospectus.

## FINANCIAL INFORMATION

*You should read the following discussion and analysis of our Group's financial condition and results of operations in conjunction with our consolidated financial information as at 30 September 2013, 2014 and 2015 and 31 May 2016 and the accompanying notes set forth in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with HKFRS.*

*The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those projected in the forward-looking statements. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk factors" and elsewhere in this prospectus.*

### OVERVIEW

We are principally engaged in the manufacturing of a wide range of power-related electrical and electronic products, including solenoid coils, battery charger solution and power supply, LED lighting and others such as PCBA and inserted moulding parts.

The following table sets out the revenue by product type during the Track Record Period:

	Year ended 30 September						Eight months ended 31 May			
	2013		2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Solenoid coils	106,872	32.9	136,226	40.7	135,207	41.3	90,681	41.9	60,976	34.1
Battery charger solution and power supply	77,732	23.8	71,870	21.5	64,311	19.6	44,073	20.3	39,343	22.0
LED lighting	35,617	11.0	32,502	9.7	24,520	7.4	16,222	7.5	17,351	9.7
Others										
- PCBA	27,446	8.4	27,366	8.2	32,151	9.8	20,736	9.6	21,487	12.0
- Parts assembly	41,989	12.9	41,630	12.4	42,697	13.0	23,394	10.8	22,213	12.4
- Miscellaneous (Note)	35,588	11.0	24,902	7.5	28,748	8.9	21,630	9.9	17,949	9.8
	<u>325,244</u>	<u>100.0</u>	<u>334,496</u>	<u>100.0</u>	<u>327,634</u>	<u>100.0</u>	<u>216,736</u>	<u>100.0</u>	<u>179,319</u>	<u>100.0</u>

*Note:* Miscellaneous includes plastic parts and metal parts.

Overall, we maintained growth in our gross profit and profit for the year/period during the Track Record Period. The following table presents the summary of our Group's financial information for the years/periods indicated.

	Year ended 30 September			Eight months ended 31 May	
	2013	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	325,244	334,496	327,634	216,736	179,319
Gross profit	56,584	61,690	68,068	39,675	40,560
Profit before income tax	28,586	37,411	43,187	24,094	10,615
Profit for the year/period	23,241	30,194	33,208	18,259	5,595

---

## **FINANCIAL INFORMATION**

---

Please refer to the section headed “Financial information — Period-to-Period Comparison of Results of Operations” for more details.

### **BASIS OF PREPARATION**

The financial information set out in the Appendix I — Accountant’s Report has been prepared in accordance with HKFRSs which collective term includes Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The financial information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The financial information has been prepared under the historical cost basis except for certain financial assets which are stated at their fair value.

The financial information is presented in HK\$ which is also the functional currency of the Company. All values are round to nearest thousands except when otherwise indicated. It should be noted that accounting estimates and assumptions are used in the preparation of the financial information. Although these estimates and assumptions are based on management’s best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 4 to the “Appendix I — Accountant’s Report”.

### **SIGNIFICANT FACTORS AFFECTING THE RESULTS OF OPERATIONS**

Our results of operations and financial conditions are most significantly affected by a number of factors, many of which are beyond our control, including those set forth below.

#### **Changes in the global economic condition, especially in the U.S. and Europe**

Changes in global market demand level for consumer goods may have a significant effect on our financial condition and results of operations. In particular, we would be affected by changes in the economic condition of the U.S. and Europe as these countries constitute the major proportion of our revenue.

For the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, sales of our products to customers in the U.S. and Europe amounted to approximately 69.3%, 74.2%, 76.2% and 74.5%, respectively of our total revenue.

---

## FINANCIAL INFORMATION

---

### Cost of raw materials

Cost of raw materials is a major component of our cost of sales, representing approximately 71.5%, 71.5%, 73.2% and 67.6% of our total cost of sales for the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, respectively. Fluctuations in the cost of our raw materials and our ability to pass on any increase in raw material costs to our customers will affect our total cost of sales and our gross profit margins. During the Track Record Period, the principal raw materials used in our manufacturing were copper wire, plastic resin, metal parts and electronic components.

Our Group generally maintains its gross profit margin level by adopting a cost-plus pricing model and making recommendations to our customers on the product design as necessary to minimise impact of movement in raw material costs, based on our experience and industry knowledge.

For illustrative purpose only, the following table illustrates the sensitivity on our profit before income tax resulting from hypothetical fluctuation in our cost of raw materials during the Track Record Period.

<u>Hypothetical fluctuations</u>	<u>+/-5%</u>	<u>+/-10%</u>
<b>Increase/decrease in cost of raw materials</b>		
Year ended 30 September 2013	+/-HK\$9.6 million	+/-HK\$19.2 million
Year ended 30 September 2014	+/-HK\$9.8 million	+/-HK\$19.5 million
Year ended 30 September 2015	+/-HK\$9.5 million	+/-HK\$19.0 million
Eight months ended 31 May 2016	+/-HK\$4.7 million	+/-HK\$9.4 million
<b>Decrease/increase in net profit before income tax</b>		
Year ended 30 September 2013	-/+HK\$9.6 million	-/+HK\$19.2 million
Year ended 30 September 2014	-/+HK\$9.8 million	-/+HK\$19.5 million
Year ended 30 September 2015	-/+HK\$9.5 million	-/+HK\$19.0 million
Eight months ended 31 May 2016	-/+HK\$4.7 million	-/+HK\$9.4 million

### Staff costs

Our total staff costs consist primarily of wages and salaries, other allowances and welfares. For the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, our total staff costs amounted to approximately HK\$59.9 million, HK\$66.5 million, HK\$66.1 million and HK\$41.2 million, respectively. In the event that there is any significant increase in the staff costs, our operating expenses and pressure on our operating cash flows will increase, thereby materially and adversely affecting our business, results of operations, financial position and prospects.

---

## FINANCIAL INFORMATION

---

For illustrative purpose only, the following table illustrates the sensitivity on our profit before income tax resulting from hypothetical fluctuation in our staff costs during the Track Record Period:

<b>Hypothetical fluctuations</b>	<b>+/-5%</b>	<b>+/-10%</b>
<b>Increase/decrease in staff costs</b>		
Year ended 30 September 2013	+/-HK\$3.0 million	+/-HK\$6.0 million
Year ended 30 September 2014	+/-HK\$3.3 million	+/-HK\$6.6 million
Year ended 30 September 2015	+/-HK\$3.3 million	+/-HK\$6.6 million
Eight months ended 31 May 2016	+/-HK\$2.1 million	+/-HK\$4.1 million
<b>Decrease/increase in net profit before income tax</b>		
Year ended 30 September 2013	-/+HK\$3.0 million	-/+HK\$6.0 million
Year ended 30 September 2014	-/+HK\$3.3 million	-/+HK\$6.6 million
Year ended 30 September 2015	-/+HK\$3.3 million	-/+HK\$6.6 million
Eight months ended 31 May 2016	-/+HK\$2.1 million	-/+HK\$4.1 million

### **Rental expenses of the leased properties in the Songgang Factory**

The rental expenses of the leased properties in the Songgang Factory amounted to approximately HK\$1.9 million, HK\$2.5 million, HK\$2.6 million and HK\$1.7 million, respectively for the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016. In the event that there is any significant increase in the rental expenses of the leased properties, our operating expenses and pressure on our operating cash flows will increase, thereby materially and adversely affecting our business, results of operations, financial position and prospects. For illustrative purposes only, the following table illustrates the sensitivity on our profit before income tax resulting from hypothetical fluctuation in our rental expenses during the Track Record Period:

<b>Hypothetical fluctuations</b>	<b>+/-50%</b>	<b>+/-100%</b>
<b>Increase/decrease in rental expenses</b>		
Year ended 30 September 2013	+/-HK\$1.0 million	+/-HK\$1.9 million
Year ended 30 September 2014	+/-HK\$1.3 million	+/-HK\$2.5 million
Year ended 30 September 2015	+/-HK\$1.3 million	+/-HK\$2.6 million
Eight months ended 31 May 2016	+/-HK\$0.9 million	+/-HK\$1.7 million
<b>Decrease/increase in net profit before income tax</b>		
Year ended 30 September 2013	-/+HK\$1.0 million	-/+HK\$1.9 million
Year ended 30 September 2014	-/+HK\$1.3 million	-/+HK\$2.5 million
Year ended 30 September 2015	-/+HK\$1.3 million	-/+HK\$2.6 million
Eight months ended 31 May 2016	-/+HK\$0.9 million	-/+HK\$1.7 million

---

## FINANCIAL INFORMATION

---

### SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

#### Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes, on the following bases:

- (i) Sales of goods are recognised as the time when the goods are delivered and the customer has accepted the goods.
- (ii) Sales of consignment stocks are recognised in the month when consignment stocks are drawn down by the customers.
- (iii) Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment net of expected residual value over their estimated useful lives, using the straight-line method, at the following rates per annum:

Land and buildings	Over the remaining unexpired lease term or 50 years, whichever is the shorter
Furniture, fixtures and equipment	10%-25%
Motor vehicles	20%-25%
Plant and machinery	10%-33 1/3%

The estimated useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

---

## FINANCIAL INFORMATION

---

### **Impairment of trade and other receivables**

Our Group's management assesses the collectability of trade and other receivables on a regular basis to determine if any provision for impairment is necessary. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- where it becomes probable that the debtor will enter into bankruptcy or other financial reorganisation; and
- where there are significant changes in the technological, market, economic or legal environment which have an adverse effect on the debtor.

### **Trade and other payables**

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## **RESULTS OF OPERATIONS**

The following table set forth our consolidated statements of profit or loss for the years/periods indicated, as derived from the Accountant's Report in Appendix I to this prospectus.

---

## FINANCIAL INFORMATION

---

### CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Year ended 30 September			Eight months ended 31 May	
	2013	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Revenue	325,244	334,496	327,634	216,736	179,319
Cost of sales	<u>(268,660)</u>	<u>(272,806)</u>	<u>(259,566)</u>	<u>(177,061)</u>	<u>(138,759)</u>
Gross profit	56,584	61,690	68,068	39,675	40,560
Other income	1,221	6,991	3,748	2,833	1,505
Interest income	453	1,916	2,720	1,944	53
Selling and distribution expenses	(8,821)	(9,722)	(8,986)	(5,983)	(4,847)
Administrative expenses	(21,048)	(22,820)	(21,598)	(13,683)	(13,822)
Restructuring (costs)/credit	(541)	—	300	—	—
Finance costs	(448)	(644)	(1,065)	(692)	(867)
Listing expenses	—	—	—	—	(11,967)
Realised exchange differences on the liquidation of a subsidiary recycled from other comprehensive income	<u>1,186</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit before income tax	28,586	37,411	43,187	24,094	10,615
Income tax expense	<u>(5,345)</u>	<u>(7,217)</u>	<u>(9,979)</u>	<u>(5,835)</u>	<u>(5,020)</u>
<b>Profit for the year/period attributable to owners of the Company</b>	<u><u>23,241</u></u>	<u><u>30,194</u></u>	<u><u>33,208</u></u>	<u><u>18,259</u></u>	<u><u>5,595</u></u>

## FINANCIAL INFORMATION

### PRINCIPAL INCOME STATEMENT COMPONENTS

#### Revenue

We manufacture power-related and electronic products, including solenoid coils, battery charger solution and power supply, LED lighting and others such as PCBA and parts assembly.

Our total revenue amounted to approximately HK\$325.2 million, HK\$334.5 million, HK\$327.6 million and HK\$216.7 million and HK\$179.3 million for the years ended 30 September 2013, 2014, 2015 and the eight months ended 31 May 2015 and 31 May 2016, respectively.

#### By product type

The following table sets out the revenue by product type during the Track Record Period:

	Year ended 30 September						Eight months ended 31 May			
	2013		2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Solenoid coils										
- Outer diameter below 40 mm	60,758	18.7	77,395	23.1	74,819	22.8	49,558	22.9	34,234	19.1
- Outer diameter above 40 mm	44,492	13.7	57,421	17.2	58,902	18.0	40,024	18.5	25,920	14.5
- Coil bundles	1,622	0.5	1,410	0.4	1,486	0.5	1,099	0.5	822	0.5
Subtotal	106,872	32.9	136,226	40.7	135,207	41.3	90,681	41.9	60,976	34.1
Battery charger solution and power supply										
- Power supply	25,062	7.7	24,806	7.4	16,334	5.0	10,496	4.8	8,391	4.7
- Chargers with voltage less than 60 watt	32,351	9.9	31,141	9.3	27,231	8.3	19,354	8.9	18,066	10.1
- Chargers with voltage equal or higher than 60 watt	20,319	6.2	15,923	4.8	20,746	6.3	14,223	6.6	12,886	7.2
Subtotal	77,732	23.8	71,870	21.5	64,311	19.6	44,073	20.3	39,343	22.0
LED lighting										
- Work lights	28,213	8.7	8,842	2.6	7,016	2.1	5,862	2.7	1,813	1.0
- Commercial LED lighting	7,404	2.3	23,660	7.1	17,504	5.3	10,360	4.8	15,538	8.7
Subtotal	35,617	11.0	32,502	9.7	24,520	7.4	16,222	7.5	17,351	9.7
Others										
- PCBA	27,446	8.4	27,366	8.2	32,151	9.8	20,736	9.6	21,487	12.0
- Parts assembly	41,989	12.9	41,630	12.4	42,697	13.0	23,394	10.8	22,213	12.4
- Miscellaneous ( <i>Note</i> )	35,588	11.0	24,902	7.5	28,748	8.9	21,630	9.9	17,949	9.8
Subtotal	105,023	32.3	93,898	28.1	103,596	31.7	65,760	30.3	61,649	34.2
	<u>325,244</u>	<u>100.0</u>	<u>334,496</u>	<u>100.0</u>	<u>327,634</u>	<u>100.0</u>	<u>216,736</u>	<u>100.0</u>	<u>179,319</u>	<u>100.0</u>

*Note:* Miscellaneous includes plastic parts and metal parts.

## FINANCIAL INFORMATION

The table below sets out sales volume and selling price range by product type during the Track Record Period.

	Year ended 30 September 2013			Year ended 30 September 2014			Year ended 30 September 2015			Eight months ended 31 May 2015			Eight months ended 31 May 2016							
	Sales Volume	Selling price range (HK\$)		Sales Volume	Selling price range (HK\$)		Sales Volume	Selling price range (HK\$)		Sales Volume	Selling price range (HK\$)		Sales Volume	Selling price range (HK\$)						
		Thousands units	Minimum		Average	Maximum		Thousands units	Minimum		Average	Maximum		Thousands units	Minimum	Average	Maximum	Thousands units	Minimum	Average
Solenoid coils																				
- Outer diameter below 40 mm	2,974	11.55	20.44	54.14	4,653	10.70	16.63	88.54	3,865	11.55	19.36	53.89	2,480	11.55	19.99	53.89	1,497	4.11	22.86	89.58
- Outer diameter above 40 mm	1,054	17.29	42.20	124.94	1,645	17.28	34.90	134.49	1,416	17.28	41.60	83.95	926	17.28	43.21	83.95	550	17.38	47.14	70.75
- Coil bundles	8	147.85	195.36	286.83	7	156.21	205.48	222.59	7	157.75	202.97	220.20	6	157.75	198.85	220.20	4	155.54	215.90	296.12
Subtotal	4,036		26.48		6,305		21.6		5,288		25.37		3,412		26.58		2,051		29.73	
Battery charger solution and power supply																				
- Power supply	1,018	13.65	24.62	93.32	1,110	14.08	22.36	74.98	634	15.35	25.76	84.52	420	15.35	24.97	84.52	294	16.29	28.57	84.70
- Chargers with voltage less than 60 watt	742	4.66	43.59	156.97	630	4.66	49.46	120.26	557	4.66	48.92	139.91	398	4.66	48.66	128.26	345	4.60	52.31	139.88
- Chargers with voltage equal or higher than 60 watt	179	62.24	113.41	229.26	197	62.22	80.64	197.66	206	62.04	100.50	189.99	144	62.05	98.96	189.99	156	62.04	82.39	173.05
Subtotal	1,939		40.08		1,937		37.11		1,397		46.03		962		45.81		795		49.49	
LED lighting																				
- Work lights	374	44.59	75.30	161.10	144	11.86	61.29	139.77	99	44.57	70.87	140.00	81	44.57	72.11	139.81	29	44.56	62.10	139.73
- Commercial LED lighting	24	82.57	310.57	921.95	117	100.60	202.03	917.47	80	82.01	220.10	319.67	46	92.22	227.35	319.67	77	30.92	203.02	923.17
Subtotal	398		89.38		261		124.35		179		137.34		127		127.73		106		163.69	
Others																				
- PCBA	475	4.11	57.83	260.17	514	2.79	53.20	192.19	645	1.09	49.87	314.89	400	1.09	51.80	314.89	440	1.08	48.88	307.80
- Parts assembly	6,580	0.08	6.38	69.15	6,382	0.05	6.52	68.71	7,440	0.05	5.74	66.56	3,982	1.86	5.88	70.80	3,701	1.86	6.00	69.01
- Miscellaneous (Note)	18,488	0.08	1.92	320.53	10,694	0.05	2.33	282.66	12,062	0.01	2.38	315.88	9,350	0.01	2.31	315.88	5,918	0.18	3.03	424.18
Subtotal	25,543		4.11		17,500		5.34		20,147		5.14		13,732		4.79		10,059		6.13	
	31,916				26,093				27,011				18,233				13,011			

Note: Miscellaneous includes plastic parts and metal parts.

---

## FINANCIAL INFORMATION

---

### *Solenoid coils*

Our revenue generated from the sale of solenoid coils was our largest source of income which accounted for approximately 32.9%, 40.7%, 41.3% and 34.1% of our total revenue for the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, respectively. Our solenoid coils were mainly sold to Customer A. During the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, we sold approximately 4.0 million pieces, 6.3 million pieces, 5.3 million pieces and 2.1 million pieces of solenoid coils, respectively. During the Track Record Period, we maintained a relatively stable selling price range in each category of solenoid coils.

### *Battery charger solution and power supply*

Our revenue generated from the sale of battery charger solution and power supply accounted for approximately HK\$77.7 million, HK\$71.9 million, HK\$64.3 million and HK\$39.3 million for the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, respectively. During the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, we sold approximately 1.9 million pieces, 1.9 million pieces, 1.4 million pieces and 0.8 million pieces of products of battery charger solution and power supply, respectively.

### *LED lighting*

Our revenue generated from the sale of LED lighting accounted for approximately HK\$35.6 million, HK\$32.5 million, HK\$24.5 million and HK\$17.4 million for the years ended 30 September 2013, 2014, 2015 and the eight months ended 31 May 2016 respectively. During the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, we sold approximately 0.4 million pieces, 0.3 million pieces, 0.2 million pieces and 0.1 million pieces of LED lighting, respectively.

### *Others*

Our other products include (i) PCBA, such as LED lighting PCBA, battery charger PCBA and display control PCBA; (ii) parts assembly, such as molded circuit boards, battery holders brackets, brush holders and extension set; and (iii) miscellaneous, such as plastic parts, metal parts, contactor or case. Our revenue generated from the sale of PCBA accounted for approximately HK\$27.4 million, HK\$27.4 million, HK\$32.2 million and HK\$21.5 million for the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016 respectively. Our revenue generated from the sale of parts assembly accounted for approximately HK\$42.0 million, HK\$41.6 million, HK\$42.7 million and HK\$22.2 million for the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016 respectively. Our revenue generated from the sale of miscellaneous products accounted for approximately HK\$35.6 million, HK\$24.9 million, HK\$28.7 million and HK\$17.9 million for the years ended 30 September 2013, 2014, 2015 and the eight months ended 31 May 2016, respectively.

## FINANCIAL INFORMATION

### *By geographical location*

The table below sets out our revenue by delivering destination of our products for the years/periods indicated:

	Year ended 30 September						Eight months ended 31 May			
	2013		2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
The U.S.	149,997	46.1	181,402	54.2	185,719	56.7	117,084	54.0	95,153	53.1
UK	27,529	8.5	29,811	8.9	29,736	9.1	21,829	10.1	19,784	11.0
Rest of Europe	47,714	14.7	37,055	11.1	33,987	10.4	24,389	11.3	18,613	10.4
Japan	30,948	9.5	26,270	7.8	26,185	8.0	17,750	8.2	18,068	10.1
The PRC	30,594	9.4	33,453	10.0	31,384	9.6	16,554	7.6	11,168	6.2
Hong Kong	7,219	2.2	9,267	2.8	4,514	1.4	2,384	1.1	1,698	0.9
Others	31,243	9.6	17,238	5.2	16,109	4.8	16,746	7.7	14,835	8.3
	<u>325,244</u>	<u>100.0</u>	<u>334,496</u>	<u>100.0</u>	<u>327,634</u>	<u>100.0</u>	<u>216,736</u>	<u>100.0</u>	<u>179,319</u>	<u>100.0</u>

During the years ended 30 September 2013, 2014 and 2015, the revenue generated from the U.S. accounted for approximately HK\$150.0 million, HK\$181.4 million and HK\$185.7 million respectively, which accounted for approximately 46.1%, 54.2% and 56.7% of our total revenue for the corresponding periods, respectively. During the eight months ended 31 May 2015 and 2016, the revenue generated from the U.S. were approximately HK\$117.1 million and HK\$95.2 million, respectively which accounted for approximately 54.0% and 53.1% of our total revenue for the corresponding periods, respectively.

### **Cost of sales**

Our cost of sales primarily consists of direct materials, direct labour and manufacturing overheads. Our cost of sales amounted to approximately HK\$268.7 million, HK\$272.8 million, HK\$259.6 million and HK\$138.8 million for the years ended 30 September 2013, 2014, 2015 and the eight months ended 31 May 2016, respectively.

## FINANCIAL INFORMATION

The following table sets forth the breakdown of our cost of sales for the years/periods indicated:

	Year ended 30 September						Eight months ended 31 May			
	2013		2014		2015		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Direct materials	191,994	71.5	195,079	71.5	189,908	73.2	128,076	72.4	93,855	67.6
Direct labour	30,641	11.4	35,961	13.2	36,167	13.9	24,854	14.0	22,725	16.4
Manufacturing overhead	46,025	17.1	41,766	15.3	33,491	12.9	24,131	13.6	22,179	16.0
	<u>268,660</u>	<u>100.0</u>	<u>272,806</u>	<u>100.0</u>	<u>259,566</u>	<u>100.0</u>	<u>177,061</u>	<u>100.0</u>	<u>138,759</u>	<u>100.0</u>

The major component of our direct materials during the Track Record Period was raw materials and consumables used. The following sets out a breakdown of our raw materials and consumables used for the years/periods indicated:

	Year ended 30 September						Eight months ended 31 May			
	2013		2014		2015		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Copper wire	41,417	21.6	46,430	23.8	41,417	21.8	28,819	22.5	17,367	18.5
Plastic resin	33,053	17.2	31,247	16.0	27,824	14.7	19,617	15.3	14,978	16.0
Metal parts	20,833	10.9	22,702	11.6	20,243	10.7	14,067	11.0	10,381	11.1
Electronic components	33,514	17.5	36,207	18.5	30,963	16.3	21,772	17.0	23,242	24.8
Copper roll/sheet	9,154	4.8	9,271	4.8	8,938	4.7	6,394	5.0	4,463	4.7
Metal raw materials	8,464	4.4	8,054	4.1	6,876	3.6	4,767	3.7	2,880	3.1
Cable/lead wire	11,528	6.0	10,000	5.1	7,513	4.0	5,313	4.1	4,297	4.5
LED	3,093	1.6	5,425	2.8	4,474	2.4	2,825	2.2	2,943	3.1
Others	30,938	16.0	25,743	13.3	41,660	21.8	24,502	19.2	13,304	14.2
	<u>191,994</u>	<u>100.0</u>	<u>195,079</u>	<u>100.0</u>	<u>189,908</u>	<u>100.0</u>	<u>128,076</u>	<u>100.0</u>	<u>93,855</u>	<u>100.0</u>

Copper was our major raw material during the Track Record Period. According to the Euromonitor Report, the average price of copper decreased by 25.0% from USD7,322.1 per ton in 2013 to USD5,494.5 per ton in 2015.

Another major component of our cost of sales during the Track Record Period was direct labour cost, which consists of employee benefit expenses for our production staff. The increase in the direct labour cost from 2013 to 2015 was attributable to the increase in labour rates and social security costs driven by the increase in statutory minimum wages in the PRC.

## FINANCIAL INFORMATION

Another component of our cost of sales during the Track Record Period was manufacturing overheads, which includes, among others, depreciation, amortisation and other impairment charges, water and electricity, transportation expenses and certain tax expenses.

### Gross profit

The following table sets forth the breakdown of gross profit and gross profit margin for the years/periods indicated:

	Year ended 30 September						Eight months ended 31 May			
	2013		2014		2015		2015		2016	
	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
	HK'000	%	HK'000	%	HK'000	%	HK'000	%	HK'000	%
Solenoid coils	18,050	16.9	25,713	18.9	26,580	19.7	16,817	18.5	13,233	21.7
Battery charger solution and power supply	8,924	11.5	10,214	14.2	10,738	16.7	6,283	14.3	7,992	20.3
LED lighting	10,115	28.4	9,269	28.5	7,543	30.8	4,813	29.7	5,656	32.6
Others	19,495	18.6	16,494	17.6	23,207	22.4	11,762	17.9	13,679	22.2
	<u>56,584</u>	<u>17.4</u>	<u>61,690</u>	<u>18.4</u>	<u>68,068</u>	<u>20.8</u>	<u>39,675</u>	<u>18.3</u>	<u>40,560</u>	<u>22.6</u>

For the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, our gross profit amounted to approximately HK\$56.6 million, HK\$61.7 million, HK\$68.1 million and HK\$40.6 million, respectively, and our gross profit margin was approximately 17.4%, 18.4%, 20.8% and 22.6%, respectively. During the Track Record Period, the increase in the gross profit margin was mainly attributable to: (i) the shift of our product mix towards higher priced products that mainly included commercial LED lighting and PCBA; (ii) the decrease in raw material prices; and (iii) the decrease in the manufacturing overhead, such as repair and maintenance.

### Other income

The following table sets forth the breakdown of other income for the years/periods indicated:

	Year ended 30 September			Eight months ended 31 May	
	2013	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Management fee refund from the former ultimate holding company	—	3,577	—	—	—
Sundry income	1,208	3,414	3,748	2,833	1,505
Gain on disposal of available-for-sale financial assets	13	—	—	—	—
	<u>1,221</u>	<u>6,991</u>	<u>3,748</u>	<u>2,833</u>	<u>1,505</u>

---

## FINANCIAL INFORMATION

---

Other income amounted to approximately HK\$1.2 million, HK\$7.0 million, HK\$3.7 million and HK\$1.5 million for the years ended 30 September 2013 and 2014, 2015 and the eight months ended 31 May 2016, respectively.

The management fee refund of approximately HK\$3.6 million for the year ended 30 September 2014 is a one-time refund from our former ultimate holding Company, UPI (stock code: 0176). Until 30 May 2014, the Group was a subsidiary of UPI (stock code: 0176). After 30 May 2014, the Group was no longer required to pay management fees to UPI (stock code: 0176) and, following negotiation, certain management fees paid to UPI (stock code: 0176) in relation to the year ended 30 September 2013 were refunded to the Group during the year ended 30 September 2014.

Sundry income of approximately HK\$1.2 million, HK\$3.4 million, HK\$3.7 million and HK\$1.5 million for the years ended 30 September 2013, 2014, 2015 and the eight months ended 31 May 2016 respectively includes research and development costs, certification and inspection fees, sample sales and rework costs which are recharged to customers.

### Interest income

The following table sets forth the breakdown of interest income for the years/periods indicated:

	Year ended 30 September			Eight months ended 31 May	
	2013	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest earned on bank deposits and balances	—	794	213	115	53
Interest earned on loan to the immediate holding company	—	657	1,970	1,313	—
Interest earned on loan to the former ultimate holding company	453	—	—	—	—
Interest earned on shareholder loan	—	465	537	516	—
	<u>453</u>	<u>1,916</u>	<u>2,720</u>	<u>1,944</u>	<u>53</u>

### Selling and distribution expenses

Selling and distribution expenses of approximately HK\$8.8 million, HK\$9.7 million, HK\$9.0 million and HK\$4.8 million for the years ended 30 September 2013, 2014, 2015 and the eight months ended 31 May 2016, respectively comprise, export shipping, warehousing, transportation, commission and insurance costs.

## FINANCIAL INFORMATION

The following table sets forth the breakdown of selling and distribution expenses of our Group for the years/periods indicated.

	Year ended 30 September						Eight months ended 31 May			
	2013		2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Export shipping cost	4,173	47.3	4,862	50.0	4,510	50.2	3,129	52.3	2,203	45.4
Warehousing and transportation costs	3,237	36.7	3,028	31.1	2,710	30.1	1,759	29.4	1,428	29.5
Sales commissions	928	10.5	1,050	10.8	1,021	11.4	587	9.8	822	17.0
Others	483	5.5	782	8.1	745	8.3	508	8.5	394	8.1
	<u>8,821</u>	<u>100.0</u>	<u>9,722</u>	<u>100.0</u>	<u>8,986</u>	<u>100.0</u>	<u>5,983</u>	<u>100.0</u>	<u>4,847</u>	<u>100.0</u>

### Administrative expenses

Administrative expenses of approximately HK\$21.0 million, HK\$22.8 million, HK\$21.6 million and HK\$13.8 million for the years ended 30 September 2013, 2014, 2015 and the eight months ended 31 May 2016, respectively, comprises salaries, allowances and welfare costs, depreciation, audit fee, head office expense recharges, rental expenses and others. Staff salaries, allowances and welfare costs represent staff costs relating to the administrative and finance departments and the company's senior management team.

The following table sets forth the breakdown of administrative expenses of our Group for the years/periods indicated:

	Year ended 30 September						Eight months ended 31 May			
	2013		2014		2015		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Staff salaries, allowances and welfares	12,755	60.6	14,254	62.5	14,486	67.1	9,898	72.3	9,912	71.7
Head office expense recharge	4,491	21.3	1,616	7.1	—	—	—	—	—	—
Bank charges	927	4.4	1,560	6.8	1,560	7.2	1,163	8.5	708	5.1
Loss in foreign exchange	728	3.5	1,097	4.8	1,361	6.3	815	6.0	999	7.2
Maintenance fee	745	3.5	767	3.4	787	3.6	509	3.7	559	4.1
Audit fee	836	4.0	358	1.6	412	1.9	248	1.8	275	2.0
(Reversal of impairment loss)/ impairment loss on trade receivable	(1,009)	(4.8)	(3)	(0.01)	23	0.1	—	—	(762)	(5.5)
Others	1,575	7.5	3,171	13.9	2,969	13.8	1,050	7.7	2,131	15.4
	<u>21,048</u>	<u>100.0</u>	<u>22,820</u>	<u>100.0</u>	<u>21,598</u>	<u>100.0</u>	<u>13,683</u>	<u>100.0</u>	<u>13,822</u>	<u>100.0</u>

---

## FINANCIAL INFORMATION

---

### **Restructuring (costs)/credit**

The restructuring cost of HK\$0.5 million for the year ended 30 September 2013 represents retrenchment expenses and relocation costs of certain sourcing operations of the Group in the PRC. The restructuring credit for the year ended 30 September 2015 of HK\$0.3 million represents the provision of the retrenchment expenses and relocation costs which were released and consequently credited to the consolidated statement of profit or loss after the completion of the closure of the sourcing operations in the PRC.

### **Finance costs**

Finance costs represented the interest on bank borrowings and overdrafts, which amounted to approximately HK\$0.4 million, HK\$0.6 million, HK\$1.1 million and HK\$0.9 million for the years ended 30 September 2013, 2014, 2015 and the eight months ended 31 May 2016, respectively.

### **Listing expenses**

Listing expenses of approximately HK\$12.0 million charged to the consolidated statement of profit or loss for the eight months ended 31 May 2016.

### **Taxation**

For the years ended 30 September 2013, 2014, 2015 and the eight months ended 31 May 2016, the tax expense incurred by our Group amounted to approximately HK\$5.3 million, HK\$7.2 million, HK\$10.0 million and HK\$5.0 million respectively. This represents an effective tax rate of 18.7%, 19.3%, 23.1% and 47.3% respectively for the relevant periods. The majority of the Group's profits are either earned in Hong Kong, where profits tax has been calculated at a rate of 16.5% or the PRC, where enterprise income tax has been calculated at a rate of 25.0%. The effective tax rate of the Group is therefore dependent upon the location of the assessable profits and also upon the incidence of items affecting assessable profits including but not limited to, non-deductible expenses, non-taxable income and utilisation of tax losses not previously recognised.

For the year ended 30 September 2013, the effective tax rate was 18.7%, which was approximately HK\$1.4 million lower than the tax charge based on domestic rates applicable to profits in the jurisdictions concerned. This is primarily due to the tax effects of (i) approximately HK\$2.2 million in relation to the utilisation of tax losses not previously recognised; (ii) non-taxable income of approximately HK\$2.7 million; and (iii) offset by non-deductible expenses of approximately HK\$3.8 million.

For the year ended 30 September 2014, the effective tax rate was 19.3% which was approximately HK\$583,000 lower than the tax charge based on domestic rates applicable to profits in the jurisdictions concerned. This is primarily due to the tax effects of non-taxable income of approximately HK\$0.7 million and offset by non-deductible expenses of approximately HK\$0.2 million.

---

## FINANCIAL INFORMATION

---

For the year ended 30 September 2015, the effective tax rate was 23.1% which was approximately HK\$1.3 million higher than the tax charge based on domestic rates applicable to profits in the jurisdictions concerned. This is primarily due to the tax effects of approximately HK\$1.4 million in relation to the withholding tax on PRC dividends and undistributed profits, and offset by non-taxable income of approximately HK\$0.2 million.

The effective tax rate for the eight months ended 31 May 2016 was 47.3%, which was significantly higher than that of the previous three financial years. It was mainly due to the inclusion of the listing expenses of approximately HK\$12.0 million treated as non-deductible expenses, the tax effect of approximately HK\$200,000 in relation to the withholding tax on PRC undistributed profits and the tax impact from the remaining non-deductible expenses of approximately HK\$102,000. The listing expenses have been treated as non-deductible expenses in calculating the Hong Kong profits tax. Excluding the listing expenses of approximately HK\$12.0 million, the effective tax rate will be reduced from approximately 47.3% to 22.2%.

### *PRC taxes*

Under the new PRC Enterprise Income Tax Law (“EIT Law”) (中華人民共和國企業所得稅法), promulgated by the National People’s Congress on 16 March 2007, effective 1 January 2008, the PRC adopted a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises). Our operating subsidiaries in the PRC were subject to a statutory tax rate of 25% during the Track Record Period.

### *Transfer pricing*

During the Track Record Period, Shenzhen Pantai, our PRC subsidiary had been selling products to Pantene Industrial, our subsidiary in Hong Kong, at prices with reference to our cost of production and other factors (“cost plus basis”).

According to the EIT Law, related party transactions should comply with the arm’s length principle (公平交易原則) and if the related party transactions fail to comply with the arm’s length principle and results in the reduction of the enterprise’s taxable income, the tax authority has the power to make a special adjustment within ten years from the tax paying year that the non-compliant related party transaction had occurred. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall submit an annual related party transactions reporting form (年度關聯業務往來報告表) to the tax authority. In the event that the related party transactions exceed a certain threshold, the PRC company is required to keep and, as requested by the tax authority, submit the contemporaneous documents (同期資料) relating to the related party transaction to the same.

---

## FINANCIAL INFORMATION

---

During the Track Record Period, Shenzhen Pantai had prepared related party transactions reporting form relating to the intra-group sales for the years ended 31 December 2012, 2013 and 2014 at this cost plus basis and submitted those reports to the applicable tax authorities in accordance with the PRC regulations. We have engaged a transfer pricing consultant, Lixin Certified Tax Agents Co Ltd, to carry out a high-level transfer pricing review to evaluate whether the related party transactions between Shenzhen Pantai and Pantene Industrial were in compliance with the arm's length principle during the years ended 30 September 2012, 2013, 2014 and 2015 (the “**Review Period**”). Our transfer pricing consultant compared our Group's transfer pricing practice with that of comparable companies engaged in similar industries with similar functions and risks using the “Transactional Net Margin Method” and “Net Cost Plus Method” to verify the arm's length nature for the related party transactions between Shenzhen Pantai and Pantene Industrial. Our transfer pricing consultant advised that the related party transactions between Shenzhen Pantai and Pantene Industrial were in compliance with the arm's length principle pursuant to the relevant transfer pricing guidelines for the Review Period. Therefore, the transfer pricing consultant did not find evidence that the related party transactions conducted between Shenzhen Pantai and Pantene Industrial for the Review Period were in breach of the arm's length principle from a Chinese transfer pricing perspective.

The Group has adopted internal control measures in monitoring transfer-pricing arrangement. A designated tax accountant prepares monthly inter-company pricing analysis which includes the monthly amount of related party transactions and monthly profit margin. The monthly transfer pricing analysis is then reviewed by the financial controller on a monthly basis to ensure that related party transactions are conducted at an arm's length principle from a Chinese transfer pricing perspective and are in compliance with the review results provided by our transfer pricing consultant.

Our Directors confirmed that Shenzhen Pantai has not been required by the tax authority to submit the contemporaneous documents (同期資料) relating to the related party transactions and has not received any notice from the tax authority indicating it will make a special tax adjustment in relation to transfer pricing issues for the past years.

In addition, Shenzhen Pantai has obtained the confirmation letters from Shenzhen BaoAn Local Taxation Bureau (深圳寶安區地方稅務局) and Songgang Branch of Shenzhen BaoAn State Taxation Bureau (深圳寶安區國家稅務局松崗分局) in November 2015 and August 2016 that Shenzhen Pantai did not commit any tax evasion, tax avoidance or violation of tax law from 1 January 2012 to 31 October 2015 and from 1 November 2015 to 19 August 2016. Our PRC Legal Adviser confirmed that the said tax authorities were the competent authorities to provide the above confirmation. On this basis, we did not make any provisions for PRC transfer pricing arrangements for Shenzhen Pantai. Our Directors considered that no further work would be required to analyse the exposure for taxation of transfer pricing of Shenzhen Pantai. Notwithstanding the foregoing, having considered that the statute of limitations for transfer pricing matters in the PRC is 10 years during which period the relevant tax authority has the power to issue queries on our transfer pricing arrangements, our Controlling Shareholders entered into the Deed of Indemnity to indemnify us for all costs, losses and/or expenses for any taxation we incur after the Listing with respect to transfer pricing matters that arose prior to the Listing. Further details of the Deed of Indemnity are set out in the Appendix VI to this prospectus.

---

## FINANCIAL INFORMATION

---

### *U.S. taxes*

Pantene USA is subject to the following U.S. income taxes namely (a) federal income tax calculated at various federal income tax rates on the estimated U.S. federal taxable income; and (b) state income tax calculated at various state income tax rates on the estimated state taxable income.

According to our US Legal Advisers, Pantene Industrial is not subject to any U.S. tax liability resulting from the sale of products in the U.S..

### *Hong Kong taxes*

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for the Track Record Period. Our subsidiaries in Hong Kong were subject to 16.5% Profits Tax during the Track Record Period.

On 5 March 2015, the Inland Revenue Department (the “IRD”) issued a letter to Pantene Industrial, one of the Group’s subsidiaries in Hong Kong, advising that a tax audit is being conducted on the company in relation to the year of assessment 2013/14 (i.e. year ended 30 September 2013). Subsequently, the IRD issued an enquiry letter on 9 April 2015 and an interview was conducted with the management of Pantene Industrial and the IRD on 27 January 2016. Two faxes dated 4 February 2016 were issued by the IRD subsequent to the interview. After replying to the IRD on the two faxes dated 4 February 2016, the IRD issued a fax dated 14 July 2016 requesting for further information and documents mainly related to certain expense items for the year of assessment 2013/14.

Pantene Industrial has engaged BDO Tax Limited as its tax adviser in handling the tax audit. For the purposes of the tax audit, the IRD issued the Notices of Assessment (the “NOAs”) for the years of assessment 2008/09 and 2009/10 both in the amount of HK\$165,000 (which is based on estimated assessable profits of HK\$1,000,000) to Pantene Industrial on 6 March 2015 and 26 February 2016 respectively. The NOAs were issued by the IRD in order to keep the relevant assessment years open in light of the six-year time limit for raising back year assessments under Section 60 of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong). Valid objections to the NOAs have been lodged with the IRD by Pantene Industrial based on the grounds that the NOAs are estimated and excessive. An unconditional holdover was granted by the IRD for tax demanded under the NOA for the year of assessment 2008/09 while Pantene Industrial purchased a Tax Reserve Certificate (the “TRC”) on the tax demanded of HK\$165,000 for the year of assessment 2009/10 to show the company’s cooperation. If there is no additional tax payable by Pantene Industrial for the year of assessment 2009/10 when the field audit is settled, the TRC can be redeemed with interests.

Based on the discussions between the Tax Adviser and the IRD case officers, the Tax Adviser understands that Pantene Industrial was randomly selected by the IRD for field audit as part of IRD’s routine measures to promote voluntary compliance. As the IRD is still in the process of reviewing the information and documents submitted by Pantene Industrial in April 2016 and has been requesting further information and documents, the IRD could not comment on their areas of focus and whether any tax adjustments would be needed at this preliminary stage of tax audit.

---

## FINANCIAL INFORMATION

---

Based on our Tax Adviser's advice, (i) the estimated assessable profits of HK\$1,000,000 for each of the years of assessment 2008/09 and 2009/10 were randomly selected by the IRD and by no means represents the profits under-assessed for the respective years; (ii) as the tax audit in relation to the year of assessment 2013/14 is still at a preliminary stage, it is premature to comment on whether any tax adjustment(s) would be required for the years of assessment 2008/09, 2009/10 and 2013/14, as well as any other year(s) of assessment which is statutorily open for adjustment; (iii) should there be any additional tax payable, it is likely that penalty would be imposed; and (iv) in the event that there is any additional tax payable, interest would only be imposed for the year(s) where the IRD has issued a protective assessment and an unconditional holdover has been granted for tax demanded under the assessment.

Our Directors, after due and careful consideration of the above advice from our Tax Adviser, are of the view that the tax audit would not have a material adverse effect on our financial condition.

Our Controlling Shareholders have entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for its subsidiaries) to provide indemnities on a joint and several basis in respect of any and all tax liabilities together with all reasonable costs (including all legal costs), expenses or other liabilities which might be payable by any member of our Group. Further details of the Deed of Indemnity are set out in the Appendix VI to this prospectus.

Please refer to Note 13 of Appendix I to this prospectus for the income tax expenses of the Track Record Period.

### LISTING EXPENSES

The estimated listing expenses are in aggregate approximately HK\$34.5 million, of which approximately HK\$8.7 million is directly attributable to the issue of new Shares in the Listing and to be accounted for as a deduction from equity and a further HK\$3.7 million is attributable to the issue of shares held by New Wave and will be paid for by that entity. The remaining estimated listing expenses of approximately HK\$17.2 million and HK\$4.9 million will be charged to the consolidated statement of profit or loss for the year ended 30 September 2016 and the year ending 30 September 2017, respectively.

Accordingly, the financial results of our Group for the year ended 30 September 2016 are expected to be materially affected by the estimated expenses in relation to the Listing. Expenses in relation to the Listing are non-recurring in nature. Our Directors would like to emphasise that the listing expenses above are the current estimate for reference only and the actual amount to be recognised is subject to adjustment based on audit and the changes in variables and assumptions.

---

## FINANCIAL INFORMATION

---

### PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Eight months ended 31 May 2016 compared to eight months ended 31 May 2015

##### Revenue

Revenue decreased by approximately HK\$37.4 million or 17.3% from approximately HK\$216.7 million for the eight months ended 31 May 2015 to approximately HK\$179.3 million for the eight months ended 31 May 2016. The decrease was primarily attributable to the continued general economic slowdown in Europe and the U.S..

Revenue generated from the sale of solenoid coils decreased by approximately 32.8% from approximately HK\$90.7 million for the eight months ended 31 May 2015 to approximately HK\$61.0 million for the eight months ended 31 May 2016. The decrease was due to the decrease in demand from Customer A driven by the unfavourable economic environment in the markets of its end customers.

Revenue generated from the sale of battery charger solution and power supply decreased by approximately 10.7% from approximately HK\$44.1 million for the eight months ended 31 May 2015 to approximately HK\$39.3 million for the eight months ended 31 May 2016. The decrease was due to the decrease in demand from two major customers, Customer B and Customer E, driven by the unfavourable economic environment in the markets of its end customers.

Revenue generated from the sale of LED lighting increased by approximately 7.0% from approximately HK\$16.2 million for the eight months ended 31 May 2015 to approximately HK\$17.4 million for the eight months ended 31 May 2016. The increase was due to the up turn in demand from Customer D, driven by higher market activity from its end customers in the U.S. and a higher demand for commercial LED lighting.

##### Cost of sales

The cost of sales decreased by approximately HK\$38.3 million or 21.6% from approximately HK\$177.1 million for the eight months ended 31 May 2015 to approximately HK\$138.8 million for the eight months ended 31 May 2016. The decrease was in line with the decrease in the revenue and due to the decrease in the price of raw materials.

##### Gross profit

The gross profit increased by approximately HK\$0.9 million or 2.2% from approximately HK\$39.7 million for the eight months ended 31 May 2015 to approximately HK\$40.6 million for the eight months ended 31 May 2016. Additionally, the gross profit margin increased from 18.3% to 22.6%. It was mainly due to the shift of our product mix towards higher priced products that mainly included commercial LED lighting and the decrease in raw material prices.

---

## FINANCIAL INFORMATION

---

### Other income

Our other income decreased by approximately HK\$1.3 million or 46.9% from approximately HK\$2.8 million for the eight months ended 31 May 2015 to approximately HK\$1.5 million for the eight months ended 31 May 2016. The decrease was primarily attributable to the reduced sample sales and rework costs recharged to customers.

### Interest income

Our interest income decreased by approximately HK\$1.9 million or 97.3% from approximately HK\$1.9 million for the eight months ended 31 May 2015 to approximately HK\$53,000 for the eight months ended 31 May 2016. The decrease was primarily attributable to the cessation of interest receivable after the payment of loans due from the immediate parent undertaking at the end of fiscal 2015 and the repayment of the loan due from the shareholder during fiscal 2015.

### Selling and distribution expenses

Our selling and distribution expenses decreased by approximately HK\$1.1 million or 19.0% from approximately HK\$6.0 million for the eight months ended 31 May 2015 to approximately HK\$4.8 million for the eight months ended 31 May 2016. The decrease was primarily attributable to decreased sales levels.

### Administrative expenses

Our administrative expenses increased by approximately HK\$0.1 million or 1.0% from approximately HK\$13.7 million for the eight months ended 31 May 2015 to approximately HK\$13.8 million for the eight months ended 31 May 2016. The increase was mainly attributable to the net effect of the increase of IRD tax representative fee, increase of the head office rental and the reversal of an impairment loss on trade receivables.

### Finance costs

Our finance costs increased by approximately HK\$0.2 million or 25.3% from approximately HK\$0.7 million for the eight months ended 31 May 2015 to approximately HK\$0.9 million for the eight months ended 31 May 2016. The increase was primarily attributable to increased average borrowing levels during the eight months ended 31 May 2016.

### Income tax charge

Our income tax decreased by approximately HK\$0.8 million or 14.0% from approximately HK\$5.8 million for the eight months ended 31 May 2015 to approximately HK\$5.0 million for the eight months ended 31 May 2016. The effective tax rate for the eight months ended 31 May 2015 and 2016 was 24.2% and 47.3% respectively. Excluding the impact of approximately HK\$12.0 million of listing expenses which have been treated as non-tax deductible, the effective tax rate for the eight months ended 31 May 2016 was 22.2%.

---

## FINANCIAL INFORMATION

---

### Year ended 30 September 2015 compared to year ended 30 September 2014

#### Revenue

Revenue decreased by approximately HK\$6.9 million or 2.1% from approximately HK\$334.5 million for the year ended 30 September 2014 to approximately HK\$327.6 million for the year ended 30 September 2015. The decrease was primarily attributable to a general economic slowdown in Europe and the U.S..

Revenue generated from the sale of solenoid coils decreased slightly by approximately 0.7% from approximately HK\$136.2 million for the year ended 30 September 2014 to approximately HK\$135.2 million for the year ended 30 September 2015. The decrease was due to the decrease in demand from Customer A driven by the unfavorable economic environment in the markets of its end customers.

Revenue generated from the sale of battery charger solution and power supply decreased by approximately 10.5% from approximately HK\$71.9 million for the year ended 30 September 2014 to approximately HK\$64.3 million for the year ended 30 September 2015. The decrease was due to the decrease in demand from two major customers, Customer B and Customer E, driven by the unfavorable economic environment in the markets of its end customers.

Revenue generated from the sale of LED lighting decreased by approximately 24.6% from approximately HK\$32.5 million for the year ended 30 September 2014 to approximately HK\$24.5 million for the year ended 30 September 2015. The decrease was due to the loss of one of our major customers in 2014, which requested for a significant price reduction, and also the decrease in demand from Customer D driven by the unfavorable economic environment in the markets of its end customers, which is from the U.S..

#### Cost of sales

The cost of sales has decreased by approximately HK\$13.2 million or 4.9% from approximately HK\$272.8 million for the year ended 30 September 2014 to approximately HK\$259.6 million for the year ended 30 September 2015. The decrease was in line with the decrease in the revenue and due to the drop in the price of raw materials.

#### Gross profit

The gross profit increased by approximately HK\$6.4 million or 10.3% from approximately HK\$61.7 million for the year ended 30 September 2014 to approximately HK\$68.1 million for the year ended 30 September 2015. Additionally, the gross profit margin has increased from 18.4% in 2014 to 20.8% in 2015. It was mainly due to (i) the shift of our product mix towards higher priced products that mainly included commercial LED lighting and (ii) the decrease in raw material prices.

---

## FINANCIAL INFORMATION

---

### **Other income**

Our other income decreased by approximately HK\$3.3 million or 46.4% from approximately HK\$7.0 million for the year ended 30 September 2014 to approximately HK\$3.7 million for the year ended 30 September 2015. The decrease was primarily attributable to the decrease in the management fee refund from the former ultimate holding company of approximately HK\$3.6 million.

### **Interest income**

Our interest income increased by approximately HK\$0.8 million or 42.0% from approximately HK\$1.9 million for the year ended 30 September 2014 to approximately HK\$2.7 million for the year ended 30 September 2015. The increase was primarily attributable to the inclusion of a full year's interest earned on the loans to the immediate holding company.

### **Selling and distribution expenses**

Our selling and distribution expenses decreased by approximately HK\$0.7 million or 7.6% from approximately HK\$9.7 million for the year ended 30 September 2014 to HK\$9.0 million for the year ended 30 September 2015. The decrease was primarily attributable to the decreased sales levels.

### **Administrative expenses**

Our administrative expenses decreased by approximately HK\$1.2 million or 5.4% from approximately HK\$22.8 million for the year ended 30 September 2014 to approximately HK\$21.6 million for the year ended 30 September 2015. The decrease was primarily due to a cessation of head office cost recharges following our Group's acquisition by SNH Global in May 2014, partially offset by increase in staff salary, allowance and welfares as well as foreign exchange loss.

### **Finance costs**

Our finance costs increased by approximately HK\$0.5 million or 65.4% from approximately HK\$0.6 million for the year ended 30 September 2014 to approximately HK\$1.1 million for the year ended 30 September 2015. The increase was primarily attributable to the increased average borrowing level during the year ended 30 September 2015.

### **Income tax charge**

Our income tax increased by approximately HK\$2.8 million or 38.3% from approximately HK\$7.2 million to approximately HK\$10.0 million for the year ended 30 September 2014 and 2015 respectively. The effective tax rate for the years ended 30 September 2014 and 2015 was 19.3% and 23.1% respectively. The increase was in line with the increase in profit before tax from approximately HK\$37.4 million for the year ended 30 September 2014 to approximately HK\$43.2 million for the year ended 30 September 2015.

---

## FINANCIAL INFORMATION

---

### Year ended 30 September 2014 compared to year ended 30 September 2013

#### Revenue

Revenue increased by approximately HK\$9.3 million or 2.8% from approximately HK\$325.2 million for the year ended 30 September 2013 to approximately HK\$334.5 million for year ended 30 September 2014. The increase was primarily attributable to the increase in sale of solenoid coils partially offset by the decrease in sale of battery charger solution and power supply and LED lighting.

Revenue generated from the sale of solenoid coils increased by approximately 27.5% from approximately HK\$106.9 million for the year ended 30 September 2013 to approximately HK\$136.2 million for the year ended 30 September 2014. The increase was due to the increase in sales to Customer A. As Customer A is an internationally reputable company in the U.S., and has several operations in the U.S., Europe and Asia, our Directors believe that the unfavorable economic environment may have an impact on Customer A.

Revenue generated from the sale of battery charger solution and power supply decreased by approximately 7.5% from approximately HK\$77.7 million for the year ended 30 September 2013 to approximately HK\$71.9 million for the year ended 30 September 2014. The decrease was due to the decrease in demand from two major customers, Customer B and Customer E, driven by the unfavorable economic environment in the markets of its end customers.

Revenue generated from the sale of LED lighting decreased by approximately 8.7% from approximately HK\$35.6 million for the year ended 30 September 2013 to approximately HK\$32.5 million for the year ended 30 September 2014. The decrease was due to the loss of one of our major customers in 2014, which requested for a significant price reduction.

#### Cost of sales

The cost of sales increased by approximately HK\$4.1 million or 1.5% from approximately HK\$268.7 million for the year ended 30 September 2013 to approximately HK\$272.8 million for the year ended 30 September 2014. The increase was in line with the increase in revenue and partially offset by the decrease in the price of raw materials.

#### Gross profit

The gross profit increased by approximately HK\$5.1 million or 9.0% from approximately HK\$56.6 million for the year ended 30 September 2013 to approximately HK\$61.7 million for the year ended 30 September 2014. The gross profit margin increased from 17.4% for the year ended 30 September 2013 to 18.4% for the year ended 30 September 2014, primarily due to (i) the shift of our product mix towards higher priced products that mainly included commercial LED lighting and (ii) the decrease in raw material prices.

---

## FINANCIAL INFORMATION

---

### Other income

Our other income increased by approximately HK\$5.8 million or 472.6% from approximately HK\$1.2 million to approximately HK\$7.0 million for the year ended 30 September 2013 and 2014 respectively. The increase was primarily attributable to the management fee refund of HK\$3.6 million for the year ended 30 September 2014 and higher levels of sundry service recharges to some of our customers.

### Interest income

Our interest income increased by approximately HK\$1.5 million or 323.0% from approximately HK\$0.4 million to approximately HK\$1.9 million for the year ended 30 September 2013 and 2014 respectively. The increase was primarily attributable to the interest earned on bank deposits and balances of approximately HK\$0.8 million and interest earned on loan to the immediate holding company of approximately HK\$0.7 million for the year ended 30 September 2014.

### Selling and distribution expenses

Our selling and distribution expenses increased by approximately HK\$0.9 million or 10.2% from approximately HK\$8.8 million to approximately HK\$9.7 million for the year ended 30 September 2013 and 2014 respectively. The increase was in line with the increased sales levels.

### Administrative expenses

Our administrative expenses increased by approximately HK\$1.8 million or 8.4% from approximately HK\$21.0 million to approximately HK\$22.8 million for the year ended 30 September 2013 and 2014 respectively. The increase was primarily attributable to the increase in staff salaries, allowances and welfares due to the increase in statutory minimum wages in the PRC and partially offset by the decrease in the head office expense recharge following our Group's acquisition by SNH Global in May 2014.

### Finance costs

Our finance costs increased by approximately HK\$0.2 million or 43.8% from approximately HK\$0.4 million to approximately HK\$0.6 million for the year ended 30 September 2013 and 2014 respectively. The increase was primarily attributable to higher average level of borrowings during the year ended 30 September 2014.

### Income tax charge

Our income tax increased by approximately HK\$1.9 million or 35.0% from approximately HK\$5.3 million to approximately HK\$7.2 million for the year ended 30 September 2013 and 2014 respectively. The effective tax rate for the years ended 30 September 2013 and 2014 years was 18.7% and 19.3% respectively.

---

## FINANCIAL INFORMATION

---

### LIQUIDITY AND CAPITAL RESOURCES

We finance our liquidity requirements primarily through our current cash and cash equivalents cash flows from operations and current credit lines with our banks. Upon Listing, our sources of liquidity will be satisfied using a combination of cash generated from operating activities and short-term borrowings.

#### Cash flow

The following table sets forth a summary of net cash flow for the years/periods indicated:

	Year ended 30 September			Eight months ended 31 May	
	2013	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	29,498	29,462	28,718	23,320	23,125
Net cash generated from/(used in) investing activities	3,958	(74,559)	76,294	15,576	(381)
Net cash (used in)/generated from financing activities	<u>(7,489)</u>	<u>25,538</u>	<u>(76,207)</u>	<u>(26,211)</u>	<u>(38,336)</u>
Net increase/(decrease) in cash and cash equivalents	25,967	(19,559)	28,805	12,685	(15,592)
Effect of foreign exchange rate changes	1,214	(166)	(1,936)	(331)	(725)
Cash and cash equivalents at the beginning of the year/period	<u>32,939</u>	<u>60,120</u>	<u>40,395</u>	<u>40,395</u>	<u>67,264</u>
Cash and cash equivalents at the end of the year/period	<u>60,120</u>	<u>40,395</u>	<u>67,264</u>	<u>52,749</u>	<u>50,947</u>

#### *Operating activities*

##### *Year ended 30 September 2013*

Our net cash generated from operating activities was approximately HK\$29.5 million for the year ended 30 September 2013, primarily as a result of operating cash flows of approximately HK\$31.0 million before net changes in working capital and tax payment of approximately HK\$3.7 million. Change in working capital primarily consisted of combined effects of (i) the decrease in trade and other receivables of approximately HK\$9.6 million; and (ii) the decrease in trade and other payables of approximately HK\$7.3 million. Explanations of fluctuations of the aforesaid items from the consolidated statements of financial position are set out in the paragraph headed “Analysis of selected consolidated statements of financial position items” in this section.

---

## FINANCIAL INFORMATION

---

### *Year ended 30 September 2014*

Our net cash generated from operating activities was approximately HK\$29.5 million for the year ended 30 September 2014, primarily as a result of operating cash flows of approximately HK\$39.1 million before net negative changes in working capital and tax payment of approximately HK\$4.4 million. Change in working capital primarily consisted of combined effects of (i) the increase in inventories of approximately HK\$8.8 million; (ii) the increase in trade and other receivables of approximately HK\$1.5 million; and (iii) the increase in trade and other payables of approximately HK\$5.1 million. Explanations of fluctuations of the aforesaid items from the consolidated statements of financial position are set out in the paragraph headed “Analysis of selected consolidated statements of financial position items” in this section.

### *Year ended 30 September 2015*

Our net cash generated from operating activities was approximately HK\$28.7 million for the year ended 30 September 2015, primarily as a result of the operating cash flows of approximately HK\$42.5 million before net changes in working capital and tax payments of approximately HK\$4.8 million. Change in working capital primarily consisted of combined effects of (i) the decrease in inventories of approximately HK\$14.7 million; (ii) the increase in trade and other receivables of approximately HK\$4.3 million; (iii) the decrease in trade and other payables of approximately HK\$5.8 million; and (iv) the decrease in amount due to the immediate holding company of approximately HK\$13.4 million. Explanations of fluctuations of the aforesaid items from the consolidated statements of financial position are set out in the paragraph headed “Analysis of selected consolidated statements of financial position items” in this section.

### *Period ended 31 May 2016*

Our net cash generated from operating activities was approximately HK\$23.1 million for the eight months ended 31 May 2016, primarily as a result of operating cash flows of approximately HK\$11.9 million before net changes in working capital and tax payment of approximately HK\$4.9 million. Change in working capital primarily consisted of the combined effects of (i) the increase in inventories of approximately HK\$4.7 million; (ii) decrease in trade and other receivables of HK\$14.1 million; and (iii) increase in trade and other payables of approximately HK\$6.7 million. Explanations of fluctuations of the aforesaid items from the consolidated statements of financial position are set out in the paragraph headed “Analysis of selected consolidated statements of financial position items” in this section.

---

## FINANCIAL INFORMATION

---

### ***Investing activities***

#### *Year ended 30 September 2013*

Our net cash generated from investing activities was approximately HK\$4.0 million for the year ended 30 September 2013, primarily attributable to the release of pledged deposits of HK\$5.0 million, HK\$6.1 million proceeds from the disposal of available-for-sale financial assets offset by HK\$2.0 million of property, plant and equipment purchases and HK\$5.6 million in relation to the net change in the amount due from the former ultimate holding company.

#### *Year ended 30 September 2014*

Our net cash used in investing activities was approximately HK\$74.6 million for the year ended 30 September 2014, primarily attributable to the advance of a loan to the immediate holding company of approximately HK\$43.8 million, and a shareholder loan of HK\$31.0 million.

#### *Year ended 30 September 2015*

Our net cash generated from investing activities was approximately HK\$76.3 million for the year ended 30 September 2015, primarily attributable to the repayment of the HK\$43.8 million loan to the immediate holding company and the receipt of the HK\$31.0 million shareholder loan.

#### *Period ended 31 May 2016*

Our net cash used in investing activities was approximately HK\$0.4 million for the eight months ended 31 May 2016, primarily attributable to the property, plant and equipment purchases.

### ***Financing activities***

#### *Year ended 30 September 2013*

Our net cash used in financing activities was approximately HK\$7.5 million for the year ended 30 September 2013, primarily attributable to the payment of a dividend of HK\$7.5 million.

#### *Year ended 30 September 2014*

Our net cash generated from financing activities was approximately HK\$25.5 million for the year ended 30 September 2014, primarily attributable to the draw down of HK\$25.2 million on the invoice discounting facility.

#### *Year ended 30 September 2015*

Our net cash used in financing activities was approximately HK\$76.2 million for the year ended 30 September 2015, primarily attributable to the payment of HK\$78.6 million of dividends and offset by the net draw down of borrowings of HK\$3.5 million.

## FINANCIAL INFORMATION

*Period ended 31 May 2016*

Our net cash used in financing activities was approximately HK\$38.3 million for the eight months ended 31 May 2016, primarily attributable to the payment of HK\$28.5 million of dividends.

### NET CURRENT ASSETS

We had net current assets of approximately HK\$71.4 million, HK\$102.9 million, HK\$59.3 million and HK\$7.0 million as at 30 September 2013, 2014 and 2015 and 31 May 2016, respectively. The following table sets forth our current assets and current liabilities as at the dates indicated:

	As at 30 September			As at	As at 30
	2013	2014	2015	31 May	September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current assets</b>					
Inventories	28,257	36,276	22,395	27,380	21,488
Trade and other receivables	64,242	65,710	69,874	56,699	62,757
Shareholder loan	—	31,465	—	—	—
Amount due from fellow subsidiaries	1,844	1,844	127	85	240
Loan to the immediate holding company	—	44,445	—	—	—
Amount due from the former ultimate holding company	99,006	—	—	—	—
Cash and bank balances	<u>64,151</u>	<u>40,395</u>	<u>67,264</u>	<u>50,947</u>	<u>74,456</u>
	<u>257,500</u>	<u>220,135</u>	<u>159,660</u>	<u>135,111</u>	<u>158,941</u>
<b>Current liabilities</b>					
Trade and other payables	44,222	50,096	44,153	50,995	59,463
Bank borrowings	18,288	40,439	43,891	34,922	39,682
Dividend payable	—	—	—	30,000	30,000
Amount due to fellow subsidiaries	5,689	4,852	—	—	—
Amount due to the immediate holding company	—	13,422	—	1	1
Amount due to the former ultimate holding company	112,373	—	—	—	—
Provisions	300	300	—	—	—
Tax payable	<u>5,270</u>	<u>8,077</u>	<u>12,314</u>	<u>12,242</u>	<u>14,379</u>
	<u>186,142</u>	<u>117,186</u>	<u>100,358</u>	<u>128,160</u>	<u>143,525</u>
<b>Net current assets</b>	<u><u>71,358</u></u>	<u><u>102,949</u></u>	<u><u>59,302</u></u>	<u><u>6,951</u></u>	<u><u>15,416</u></u>

## FINANCIAL INFORMATION

Our net current assets increased by approximately HK\$31.5 million or 44.3% from approximately HK\$71.4 million as at 30 September 2013 to approximately HK\$102.9 million as at 30 September 2014. A more detailed analysis of the component parts is provided in the sections below. In overall terms, the increase was mainly due to the profit for the year of HK\$30.2 million being retained in our Group.

Our net current assets decreased by approximately HK\$43.6 million or 42.4% from approximately HK\$102.9 million as at 30 September 2014 to approximately HK\$59.3 million as at 30 September 2015. The decrease was mainly due to the payment of dividends of HK\$78.6 million in the year offset by the profit for the year of HK\$33.2 million.

Our net current assets decreased by approximately HK\$52.3 million or 88.3% from approximately HK\$59.3 million as at 30 September 2015 to approximately HK\$7.0 million as at 31 May 2016. The decrease was mainly due to the payment of dividends of HK\$28.5 million and the declaration of a dividend of HK\$30.0 million in the period, offset by the profit for the period of HK\$5.6 million.

### ANALYSIS OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

#### Inventories

Our inventories is categorised into raw materials, work-in-progress and finished products. Work-in-progress primarily represents products still being manufactured in the production plants. The following table sets forth the components of our inventories as of the dates indicated and turnover days for the years/periods indicated:

	As at 30 September			As at
	2013	2014	2015	31 May 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	12,520	15,215	11,305	14,825
Work-in-progress	3,244	4,014	3,197	4,436
Finished goods	<u>12,493</u>	<u>17,047</u>	<u>7,893</u>	<u>8,119</u>
	<u>28,257</u>	<u>36,276</u>	<u>22,395</u>	<u>27,380</u>
Turnover days of inventories ( <i>Note</i> )	<u>40</u>	<u>43</u>	<u>41</u>	<u>44</u>

*Note:* Inventories turnover day equals average balance of inventories divided by cost of sales for the relevant year/period multiplied by the number of days in the relevant year/period. Average balance is calculated as the sum of beginning balance and ending balance for the relevant year/period divided by two.

---

## FINANCIAL INFORMATION

---

The inventories increased from HK\$28.3 million as at 30 September 2013 to HK\$36.3 million as at 30 September 2014. The increase in the inventories was in line with our growth in sales. The inventories decreased from HK\$36.3 million as at 30 September 2014 to HK\$22.4 million as at 30 September 2015. The decrease in the inventories was due to reduced sales for the year ended 30 September 2015 combined with a concerted effort to reduced working capital tied up in inventories without compromising our need to ensure stable supply to customers. Inventories increased from HK\$22.4 million as at 30 September 2015 to HK\$27.4 million as at 31 May 2016 due to the timing of sales orders and purchasing patterns for the eight months ended 31 May 2016.

Up to the Latest Practicable Date, approximately HK\$25.7 million or 94.0% of our inventories as at 31 May 2016 were subsequently consumed and sold.

The inventory turnover days increased slightly from 40 days for the year ended 30 September 2013 to 43 days for the year ended 30 September 2014. The increase was mainly due to more inventories kept to meet the increasing demands for our products. The inventory turnover days decreased from 43 days for the year ended 30 September 2014 to 41 days for the year ended 30 September 2015. The inventory turnover days slightly increased from 41 days for the year ended 30 September 2015 to 44 days for the eight months period ended 31 May 2016. This is consistent with the timing of sales orders and purchasing patterns in that period.

Our Group has controlled and monitored our inventory level and ensure the adequacy of inventory on hand. We usually purchase raw materials from our principal suppliers having considered (i) the estimation of the customers' demand; and (ii) our existing inventory levels.

### Trade and other receivables

Our trade and other receivables mainly represented the outstanding amounts receivable from our customers, prepayments and other receivables. Our trade and other receivables amounted to approximately HK\$64.2 million, HK\$65.7 million, HK\$69.9 million and HK\$56.7 million as at 30 September 2013, 2014 and 2015 and 31 May 2016 respectively.

	As at 30 September			As at
	2013	2014	2015	31 May 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	56,289	64,974	66,607	49,988
Less: Impairment provisions	<u>(1,331)</u>	<u>(1,035)</u>	<u>(817)</u>	<u>—</u>
Trade receivables — net	54,958	63,939	65,790	49,988
Prepayments and other receivables	<u>9,284</u>	<u>1,771</u>	<u>4,084</u>	<u>6,711</u>
	<u>64,242</u>	<u>65,710</u>	<u>69,874</u>	<u>56,699</u>

## FINANCIAL INFORMATION

(i) *Trade receivables*

The net trade receivables increased from HK\$55.0 million as at 30 September 2013 to HK\$63.9 million as at 30 September 2014. The increase in the net trade receivables was in line with our growth in sales. The net trade receivables further increased from HK\$63.9 million as at 30 September 2014 to HK\$65.8 million as at 30 September 2015 which was due to the timing of sales and the higher value of sales to our major customers during the year ended 30 September 2015. The net trade receivables decreased from HK\$65.8 million as at 30 September 2015 to HK\$50.0 million as at 31 May 2016 due to lower monthly sales levels.

The following table sets out the aged analysis of our trade receivables, based on invoice date, is as follows:

	<u>As at 30 September</u>			<b>As at</b>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<b>31 May</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>2016</b>
				<i>HK\$'000</i>
0 — 60 days	39,202	51,807	44,385	35,264
61 — 90 days	11,678	2,737	9,865	8,111
91 — 120 days	2,333	6,980	7,297	3,411
More than 120 days	<u>3,076</u>	<u>3,450</u>	<u>5,060</u>	<u>3,202</u>
	<u>56,289</u>	<u>64,974</u>	<u>66,607</u>	<u>49,988</u>

Trade receivables that are past due but not impaired relate to a number of independent customers that have a good track record with our Group. Based on past experience, our Directors are of the view that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality.

The following table sets out the trade receivables turnover days for the Track Record Period:

	<u>For the year ended 30 September</u>			<b>For the eight</b>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<b>months</b>
				<b>ended</b>
				<b>31 May</b>
				<b>2016</b>
Trade receivables turnover days ( <i>note</i> )	68	65	72	79

*Note:* Trade receivables turnover day equals average balance of trade receivables divided by revenue for the relevant year/period multiplied by the number of days in the relevant year/period. Average balance is calculated as the sum of beginning balance and ending balance for the relevant year/period divided by two.

---

## FINANCIAL INFORMATION

---

We generally grant our customers a credit period ranging from 30 to 120 days depending on their credit status and geographical location. Trade receivables turnover days for the years ended 30 September 2013 and 2014 and 2015 and the eight months ended 31 May 2016 were 68 days, 65 days, 72 days and 79 days respectively.

The Group's trading terms with its top five customers are 30 days, although they take longer than 30 days to settle the payments during the Track Record Period.

During the Track Record Period, the Group had not experienced any material bad debt problems and material difficulty in collecting payments from the top five customers. We have long-established trading relationships with our top five customers spanning between approximately 5 and 14 years during which payments have been received on a regular basis. As a result, we have allowed longer settlement periods for our top five customers.

Trade receivables turnover days decreased from 68 days for the year ended 30 September 2013 to 65 days for the year ended 30 September 2014 due to the favourable timing of settlement from our major customers. Trade receivables turnover days increased from 65 days for the year ended 30 September 2014 to 72 days for the year ended 30 September 2015 as a result of higher levels of sales to major customers whose settlement terms are longer than other customers. Trade receivables turnover increased from 72 days for the year ended 30 September 2015 to 79 days for the period ended 31 May 2016 due to a longer settlement period taken by one of our major customers during the eight months ended 31 May 2016.

The trade receivables aged more than 120 days were approximately HK\$3.1 million, HK\$3.5 million, HK\$5.1 million and HK\$3.2 million as of 30 September 2013, 2014 and 2015 and 31 May 2016. The trade receivables aged more than 120 days decreased from HK\$5.1 million as of 30 September 2015 to HK\$3.2 million as of 31 May 2016 due to settlement from the customers during the period.

Our policy for impairment loss on trade receivables is based on an evaluation of collectability and aged analysis of the receivables which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. We closely review our trade receivable balance and any overdue balances on an ongoing basis and assessments are made by our management on the collectability of overdue balances. For the years ended 30 September 2013 and 2014, there was a reversal of an impairment loss of HK\$1.0 million and HK\$3,000, respectively. For the year ended 30 September 2015, there was a HK\$23,000 allowance for doubtful debts in the consolidated statement of profit or loss. For the eight months end 31 May 2016, there was a reversal of an impairment loss of HK\$0.8 million.

As at the Latest Practicable Date, approximately HK\$48.6 million or 97.2% of our trade receivables as at 31 May 2016 were subsequently settled.

---

## FINANCIAL INFORMATION

---

### (ii) *Other receivables*

Other receivables mainly comprise prepayments for services, deposits, value-added tax receivable, pension contributions paid in advance and sundry debtors. Deposits include cash lodged with PRC customs authorities and finance providers as well as advanced payments paid to suppliers.

Other receivables decreased from approximately HK\$9.3 million as at 30 September 2013 to approximately HK\$1.8 million as at 30 September 2014, which was mainly due to the release of certain deposits lodged with PRC customs authorities and finance providers. Other receivables increased from approximately HK\$1.8 million as at 30 September 2014 to approximately HK\$4.1 million as at 30 September 2015 which was mainly attributable to increased prepayments and the non-occurrence of customer payments in advance. As at 30 September 2014, other receivables included a credit balance relating to one-off customer payments in advance, amounting to approximately HK\$1.8 million. Excluding the one-off customer payments in advance, the other receivables were approximately HK\$3.6 million as at 30 September 2014. Other receivables increased from approximately HK\$4.1 million as at 30 September 2015 to approximately HK\$6.7 million as at 31 May 2016 due to the inclusion of approximately HK\$2.9 million of listing expenses prepayment.

### *Trade and other payables*

Our trade and other payables primarily relate to the payables to our suppliers and other payables. Our trade and other payables amounted to approximately HK\$44.2 million, HK\$50.1 million, HK\$44.2 million and HK\$51.0 million as at 30 September 2013 and 2014 and 2015 and 31 May 2016 respectively.

The following table sets forth our trade and other payables as at the dates indicated.

	As at 30 September			As at
	2013	2014	2015	31 May 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	27,254	36,112	27,579	30,861
Other payables and accruals	<u>16,968</u>	<u>13,984</u>	<u>16,574</u>	<u>20,134</u>
Total	<u>44,222</u>	<u>50,096</u>	<u>44,153</u>	<u>50,995</u>

### (i) *Trade payables*

Our trade payables increased from approximately HK\$27.3 million as at 30 September 2013 to approximately HK\$36.1 million as at 30 September 2014 reflecting the increase in the procurement of raw materials for our production activities which was in line with the overall growth of our business operations. Our trade payables decreased from approximately HK\$36.1 million as at 30 September

## FINANCIAL INFORMATION

2014 to approximately HK\$27.6 million as at 30 September 2015 primarily reflecting the timing of certain payments in September 2015 and reduced purchases in line with the decrease in inventory during the year ended 30 September 2015. Our trade payables increased from approximately HK\$27.6 million as at 30 September 2015 to approximately HK\$30.9 million as at 31 May 2016 reflecting the increase in inventory and timing of payments in the eight months to May 2016.

The following is an aged analysis of trade payables presented based on the invoice date as at the dates indicated:

	As at 30 September			As at 31 May
	2013	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 — 60 days	25,045	26,298	20,065	23,384
61 — 90 days	416	6,007	5,508	4,996
Over 90 days	1,793	3,807	2,006	2,481
Total	27,254	36,112	27,579	30,861

The following table sets out the trade payables turnover days for the Track Record Period:

	For the year ended 30 September			For the eight months ended 31 May
	2013	2014	2015	2016
	Trade payables turnover days ( <i>Note</i> )	43	42	45

*Note:* Trade payables turnover day equals average balance of trade payables divided by cost of service provided for the relevant year/period multiplied by the number of days in the relevant year/period. Average balance is calculated as the sum of beginning balance and ending balance for the relevant year/period divided by two.

Trade payables turnover days for the years ended 30 September 2013 and 2014 and 2015 and the eight months ended 31 May 2016 were 43 days, 42 days, 45 days and 51 days, respectively. Trade payables turnover days have remained relatively stable and in line with inventory purchasing activities. The trade payables turnover days increased from 45 days for the year ended 30 September 2015 to 51 days for the eight months ended 31 May 2016 due to a higher level of inventories as at 31 May 2016.

As at the Latest Practicable Date, approximately HK\$28.5 million or 92.2% of our trade payables as at 31 May 2016 were subsequently settled by our Group.

---

## FINANCIAL INFORMATION

---

(ii) *Other payables and accruals*

Other payables and accruals mainly comprise accruals for services provided not invoiced, customer deposits, value-added tax payable, long service and annual leave accruals and wages and salaries earned, not yet paid.

Other payables and accruals decreased from approximately HK\$17.0 million as at 30 September 2013 to approximately HK\$14.0 million as at 30 September 2014, which was mainly due to the decrease of a customer deposit as at 30 September 2014, offset by increased accruals for long-service, annual leave and wages and salaries. Other payables increased from approximately HK\$14.0 million as at 30 September 2014 to approximately HK\$16.6 million as at 30 September 2015, which was mainly attributable to an increase in wages and salaries and long-service accruals. Other payables increased from approximately HK\$16.6 million as at 30 September 2015 to approximately HK\$20.1 million as at 31 May 2016, which was mainly attributable to the inclusion of approximately HK\$4.4 million of accrued listing expenses.

### AMOUNT(S) DUE FROM/(TO) FELLOW SUBSIDIARIES/THE IMMEDIATE HOLDING COMPANY/THE FORMER ULTIMATE HOLDING COMPANY

The following table sets forth the amount(s) due from/(to) fellow subsidiaries/the immediate holding company/the former ultimate holding company as at the dates indicated.

	<u>As at 30 September</u>			<u>As at</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>31 May</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<u>2016</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from fellow subsidiaries	1,844	1,844	127	85
Amount due from the former ultimate holding company	<u>99,006</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>100,850</u>	<u>1,844</u>	<u>127</u>	<u>85</u>
Amounts due to fellow subsidiaries	5,689	4,852	—	—
Amount due to the immediate holding company	—	13,422	—	1
Amount due to the former ultimate holding company	<u>112,373</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>118,062</u>	<u>18,274</u>	<u>—</u>	<u>1</u>

---

## FINANCIAL INFORMATION

---

The amount(s) due from/(to) fellow subsidiaries/the immediate holding company/the former ultimate holding company are unsecured, interest free and repayable on demand.

As at 30 September 2013, 2014 and 2015 and 31 May 2016, the amount due from fellow subsidiaries was approximately HK\$1.8 million, HK\$1.8 million, HK\$0.1 million and HK\$85,000, respectively. The amounts will be settled based on the trading terms. As at 30 September 2013, the amount due from the former ultimate holding company was approximately HK\$99.0 million which has been fully settled.

As at 30 September 2013, 2014 and 2015 and 31 May 2016, the amount due to fellow subsidiaries, immediate holding company and former ultimate holding company was approximately HK\$118.1 million, HK\$18.3 million, nil and HK\$1,000, respectively.

During the year ended 30 September 2013, the amount due from the former ultimate holding company of approximately HK\$5.6 million, which represented the balance outstanding on the transfer of ownership of certain treasury shares of UPI (stock code: 0176), was waived by the former ultimate holding company and has been debited to the consolidated statement of changes in equity.

During the year ended 30 September 2015, amounts payable to a fellow subsidiary of approximately HK\$4.9 million, which represented approximately HK\$3.6 million from the closing down of a procurement centre and proceeds received on behalf of that fellow subsidiary of approximately HK\$1.3 million on reselling certain machines in a prior year, were waived and have been credited to the consolidated statement of changes in equity

During the year ended 30 September 2015, amounts receivable from a fellow subsidiary of approximately HK\$1.8 million, which was in relation to the acquisition of certain companies by a fellow subsidiary in a prior year, were waived and have been debited to the consolidated statement of changes in equity.

### **LOAN TO THE IMMEDIATE HOLDING COMPANY**

As at 30 September 2014, the loan to the immediate holding company was unsecured, interest bearing at 4.5% per annum and repayable on demand.

During the year ended 30 September 2015, the loan receivable from the immediate holding company of HK\$43,788,000 and the interest thereon of HK\$2,627,000 was settled.

---

## FINANCIAL INFORMATION

---

### FINANCIAL RATIOS

The following table sets forth certain financial ratios as at the dates indicated.

	Year ended 30 September			Eight months ended 31 May 2016
	2013	2014	2015	
Net profit margin	7.1%	9.0%	10.1%	3.1%
Net profit margin before interest and taxes	8.8%	10.8%	12.7%	6.4%
Return on equity ( <i>Note 1</i> )	25.1%	24.7%	42.8%	23.9%
Return on total assets ( <i>Note 2</i> )	8.3%	12.6%	18.6%	3.7%
	As at 30 September			As at 31 May 2016
	2013	2014	2015	
Current ratio ( <i>Note 3</i> )	1.38	1.88	1.59	1.05
Quick ratio ( <i>Note 4</i> )	1.23	1.57	1.37	0.84
Debt to equity ratio ( <i>Note 5</i> )	N/A	0.036%	N/A	N/A

*Notes:*

1. Return on equity is calculated by dividing profit for the year/period by the total equity as at the end of the respective year/period.
2. Return on total assets is calculated by dividing profit for the year/period by the total assets as at the end of the respective year/period.
3. Current ratio is calculated by dividing current assets by current liabilities as at the end of the respective year/period.
4. Quick ratio is calculated by dividing the current assets excluding inventories by current liabilities as at the end of the respective year/period.
5. Debt to equity ratio represents net debts, which are defined to include all borrowings, less cash and bank balance, divided by total equity as at the end of the respective year/period.

---

## FINANCIAL INFORMATION

---

### **Net profit margin before interest and taxes and net profit margin**

The net profit margin before interest and taxes and the net profit margin increased from approximately 8.8% and 7.1% for the year ended 30 September 2013 to approximately 10.8% and 9.0% for the year ended 30 September 2014, respectively. The increase was mainly attributable to (i) an increase in gross profit margin from 17.4% for the year ended 30 September 2013 to 18.4% for the year ended 30 September 2014; and (ii) an increase in other income by approximately HK\$5.8 million due to the management fee refund from the former ultimate holding company of approximately HK\$3.6 million and an increase in sundry income by approximately HK\$2.2 million.

The net profit margin before interest and taxes and the net profit margin increased from approximately 10.8% and 9.0% for the year ended 30 September 2014 to approximately 12.7% and 10.1% for the year ended 30 September 2015, respectively. The increase was mainly attributable to an increase in gross profit margin from 18.4% for the year ended 30 September 2014 to 20.8% for the year ended 30 September 2015, and other factors as discussed above.

The net profit margin before interest and taxes and the net profit margin decreased from approximately 10.5% and 8.4% for the eight months ended 31 May 2015 to approximately 6.4% and 3.1% for the eight months ended 31 May 2016, respectively. The decrease was mainly attributable to the inclusion of listing expenses amounted to HK\$12.0 million for the eight months ended 31 May 2016 and reduced interest income of approximately HK\$1.9 million offset by (i) an increase in the gross profit margin from 18.3% for the eight months ended 31 May 2015 to 22.6% for the eight months ended 31 May 2016; and (ii) reduced selling and distribution costs of approximately HK\$1.1 million.

### **Return on equity**

Our Group recorded return on equity of approximately 25.1% and 24.7% as at 30 September 2013 and 2014 respectively. The decrease was because the increase in total equity outweighed the increase in net profit. Our return on equity increased to approximately 42.8% as at 30 September 2015 was mainly due to the increased net profit and the decrease in shareholder's equity as a result of the payment of dividends of approximately HK\$78.6 million for the year.

Our return on equity increased to approximately 23.9% as at 31 May 2016, compared to 15.2% at 31 May 2015. The increase was mainly due to the increase in net profit and the decrease in shareholder's equity as a result of the payment of dividends of HK\$107.1 million and the declaration of dividends of HK\$30.0 million between 1 October 2014 and 31 May 2016.

### **Return on total assets**

Our Group recorded return on total assets of approximately 8.3% and 12.6% as at 30 September 2013 and 2014 respectively. The increase was due to our increased net profit. Our return on total assets further increased to approximately 18.6% as at 30 September 2015 due to the increased net profit and the decrease in total assets as a result of the shareholder loan of approximately HK\$31.5 million and loan to the immediate holding company of approximately HK\$44.4 million.

---

## FINANCIAL INFORMATION

---

Our return on total assets was approximately 3.7% as at 31 May 2016, compared to 8.0% as at 31 May 2015. The decline was mainly attributable to the decreased net profit and the decrease in total assets as a result of repayment of shareholder loan of approximately HK\$20.0 million.

### **Current ratio**

Our current ratio increased from approximately 1.38 as at 30 September 2013 to approximately 1.88 as at 30 September 2014. The increase was mainly attributable to (i) the shareholder loan of approximately HK\$31.5 million; (ii) the loan to the immediate holding company of approximately HK\$44.4 million as at 30 September 2014; and (iii) the settlement of the amount due to the former ultimate holding company of approximately HK\$112.4 million.

Our current ratio decreased from approximately 1.88 as at 30 September 2014 to approximately 1.59 as at 30 September 2015. The decrease was mainly attributable to the shareholder loan of approximately HK\$31.5 million and the loan to the immediate holding company of approximately HK\$44.4 million.

Our current ratio decreased from approximately 1.59 as at 30 September 2015 to approximately 1.05 as at 31 May 2016. The decrease was mainly attributable to reduced cash and bank balances due to dividend payments of HK\$28.5 million and the inclusion of the dividend payable of HK\$30.0 million in the current liabilities as at 31 May 2016.

### **Quick ratio**

Our quick ratio increased from approximately 1.23 as at 30 September 2013 to approximately 1.57 as at 30 September 2014. The increase was mainly attributable to (i) the shareholder loan of approximately HK\$31.5 million; (ii) the loan to the immediate holding company of approximately HK\$44.4 million as at 30 September 2014; and (iii) the settlement of the amount due to the former ultimate holding company of approximately HK\$112.4 million.

Our quick ratio decreased from approximately 1.57 as at 30 September 2014 to approximately 1.37 as at 30 September 2015. The decrease was mainly attributable to repayment of the shareholder loan of approximately HK\$31.5 million and the loan to the immediate holding company of approximately HK\$44.4 million.

Our quick ratio decreased from approximately 1.37 as at 30 September 2015 to approximately 0.84 as at 31 May 2016. The decrease was mainly attributable to reduced cash and bank balances due to dividend payments of HK\$28.5 million and the inclusion of dividend payable of HK\$30 million.

---

## FINANCIAL INFORMATION

---

### INDEBTEDNESS

#### *Bank borrowings*

The following table sets forth our borrowings as at 30 September 2013, 2014 and 2015, 31 May 2016 and 30 September 2016:

	As at 30 September			As at	As at
	2013	2014	2015	31 May 2016	30 September 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Bank borrowings (all secured)</i>					
<i>comprise:</i>					
Bank overdrafts	4,031	—	—	—	—
Export invoices/loan financing	14,257	15,207	9,830	5,665	6,793
Asset-backed lending	—	25,232	34,061	29,257	32,889
	<u>18,288</u>	<u>40,439</u>	<u>43,891</u>	<u>34,922</u>	<u>39,682</u>

Our short-term bank borrowings amounted to HK\$18.3 million, HK\$40.4 million, HK\$43.9 million and HK\$34.9 million as at 30 September 2013, 2014 and 2015 and 31 May 2016, respectively. The short term bank borrowings are expected to be renewed when they become mature.

During the year ended 30 September 2014, the Group commenced utilisation of a confidential invoice facility in order to facilitate the interest-bearing loan of HK\$43.8 million lent to its immediate parent company, New Wave, thereby increasing the borrowings significantly from HK\$18.3 million at 30 September 2013 to HK\$40.4 million at 30 September 2014. This loan was subsequently repaid during the year ended 30 September 2015 and the Group has continued to utilise this facility to finance the working capital requirements.

The confidential invoice facility is a factoring loan / asset-backed lending facility provided by the Group's banker in which the Group draws down a loan by submitting relevant sales invoices. According to the loan agreement, the borrowing arrangement is conducted either on a disclosed basis or undisclosed basis for different customers. For HKD denominated loans, the interest rate is 2% per annum below the HKD trade finance rate quoted by the bank. For USD denominated loans, the interest rate is 0.25% per annum over the USD trade finance rate quoted by the bank.

As at 30 September 2016, being the latest practicable date for the purpose of this indebtedness statement, our Group had outstanding short-term bank borrowings of HK\$39.7 million and the unutilised banking facilities amounting to HK\$68.9 million.

---

## FINANCIAL INFORMATION

---

### **Breach of Financial Covenant**

Our subsidiary, Pantene Industrial, experienced a breach of a financial covenant which requires it to maintain its adjusted consolidated tangible net worth to be not less than US\$10 million (approximately HK\$78.0 million) during the term of the respective borrowing. The adjusted consolidated tangible net worth means the aggregate of the amount paid up on the issued shares (other than any redeemable share capital) of Pantene Industrial and the consolidated capital and revenue reserves (including but not limited to the share premium account, revaluation and retained profits or losses) but after deducting from such sum including, amongst others, goodwill and all other intangible assets, all minority interests in subsidiaries, all amounts set aside for tax, any dividend or other distribution declared/recommended, the excess of the book value to the market value of the listed investments, any amount standing to the debit of Pantene Industrial's consolidated capital and reserves (including profit and loss account) and any amount due from the shareholders, directors and/or related companies.

As at each of 30 September 2014 and 2015, the respective adjusted consolidated tangible net worth of Pantene Industrial was below US\$10 million rendering Pantene Industrial failing to comply with the requisite financial indicator under the financial covenant above. The failure to comply with the financial covenant may entitle the lending bank to suspend, withdraw or make demand in respect of the whole or any part of the facilities at any time. As at 30 September 2014 and 30 September 2015, the outstanding principal amount of the short-term bank borrowings due to the lending bank and subject to the above financial covenant amounted to approximately HK\$2.0 million and HK\$0.4 million, respectively. The lending bank has acknowledged that Pantene Industrial failed to comply with the aforementioned financial covenant during the years ended 30 September 2014 and 30 September 2015. In August 2016, our Group renewed the bank facility which contains the aforementioned financial covenant upon its maturity and as an on-going condition of the facilities contemplated thereunder, Pantene Industrial is required to comply with all the financial covenants set out therein in the coming year. As at the Latest Practicable Date, (a) the lending bank did not take any action such as suspending, withdrawing or making demand for repayment of the whole or any part of the facilities nor impose any penalty fee; (b) the lending bank has granted Pantene Industrial a waiver of compliance with the financial covenant as at 30 September 2014 and 30 September 2015; and (c) the lending bank has removed such covenant from the bank facility after 30 September 2015. Our Directors confirmed that the aforesaid breach of financial covenant had not triggered cross default in any of our Group's other facilities as at the Latest Practicable Date.

To strengthen our internal control measures, since the occurrence of the breach in 2014, we have assigned our company secretary, Mr. Som Wai Tong Ivan, with the duty of monitoring all banking facilities of our Group to ensure ongoing compliance with financial covenants under the respective banking facilities. Mr. Som has over 15 years of experience in accounting, auditing and taxation. For more details of Mr. Som's experience, please refer to the section headed "Directors, senior management and employees" in this prospectus.

---

## FINANCIAL INFORMATION

---

As at the Latest Practicable Date, we had not breached any other existing financial covenant requirements.

### *Pledge of assets*

Our banking facilities amounted to approximately HK\$70,000,000 as at 30 September 2013, comprising overdraft and import and export loans. The facilities were secured against certain keyman insurance, debentures over all of the assets of Pantene Industrial, a subsidiary of the Company, and guarantees from the Company and the former ultimate holding company, UPI (stock code: 0176). The amount drawn down under the overdraft facility was HK\$4,031,000 as at 30 September 2013 and the import loan and export loan facilities was HK\$14,257,000 as at 30 September 2013.

Our banking facilities amounted to approximately HK\$110,500,000 as at 30 September 2014, comprising overdraft, confidential invoicing and import loans. The facilities are secured against certain keyman insurance, debentures over all of the assets of Pantene Industrial and guarantees from the Company, New Wave and SNH Global. The amount drawn down under the confidential invoice facility was HK\$25,232,000 as at 30 September 2014 and the import loan facility was HK\$15,207,000 as at 30 September 2014.

Our banking facilities amounted to approximately HK\$109,810,000 as at 30 September 2015, comprising overdraft, confidential invoicing and import loans. The facilities are secured against certain keyman insurance, debentures over all of the assets of Pantene Industrial and guarantees from the Company, New Wave and SNH Global. The amount drawn down under the confidential invoice facility was HK\$34,061,000 as at 30 September 2015 and the import loan facility was HK\$9,830,000. The corporate guarantees in respect of import loans and confidential invoicing have been released subsequently on 11 November 2015 and 17 December 2015, respectively.

Our banking facilities amounted to approximately HK\$85,479,000 as at 31 May 2016, comprising overdraft, confidential invoicing and import loans. The facilities are secured against certain keyman insurance and debentures over all of the assets of Pantene Industrial. As at 31 May 2016, the amount drawn down under the confidential invoice facility was HK\$29,257,000 and the import loan facility was HK\$5,665,000.

Subsequent to 4 July 2016, an import facility for HK\$23,576,000, which had expired on 7 April 2016, was renewed. This facility has not been included in the total facility of HK\$85,479,000 as at 31 May 2016. Assuming the import facility for HK\$23,576,000 has been renewed on 31 May 2016, the total facility available would be approximately HK\$109,055,000.

Our Directors have confirmed that they have not experienced difficulties in meeting obligations and historically have been able to repay or refinance our bank borrowings as and when they have fallen due. Our Directors are of the view that the recent changes in market interest rates do not have any material adverse impact on our Group's results and financial position.

---

## FINANCIAL INFORMATION

---

### *Contingent liabilities*

As at 30 September 2014, cross-guarantees were in place whereby the Company and Pantene Industrial were guarantors to a term loan taken out by a fellow subsidiary based in the United Kingdom, Spear & Jackson Group Limited. As at 30 September 2015, this cross-guarantee was removed.

In addition, as a consequence of the additional bank leverage in fellow subsidiary in the UK and the detriment this had on a UK defined benefit pension plan, on 30 May 2014, Pantene Industrial entered into a guarantee with the UK pension plan. The guarantee of approximately HK\$34.0 million, reduces on a HK\$ for HK\$ basis in line with the UK borrowings (as adjusted by the additional debt assumed at 30 May 2014) and each annual anniversary thereon. The guarantee will be removed when those adjusted UK bank borrowings have been reduced by HK\$34.0 million. While the guarantee remains in place, Pantene Industrial has provided a negative pledge whereby it will not do or cause anything to be done which materially impairs its ability to undertake its obligations under the guarantee.

On 30 April 2015 the guarantee conditions were fully satisfied and as a consequence, on that date, the guarantee of approximately HK\$34.0 million and the negative pledge were removed.

Our Group did not have any material contingent liabilities as at 31 May 2016 and as at the Latest Practicable Date.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, we did not have outstanding borrowings and indebtedness such as loan capital issued and outstanding or agreed to be issued, bank overdraft, loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, guarantees or other material contingent liabilities at the close of business as at the Latest Practicable Date.

## CONTRACTUAL COMMITMENTS

### *Operating lease commitments*

The contractual commitments of our Group are primarily related to office properties and factories.

Our Group's operating lease commitments amounted to approximately HK\$0.7 million, HK\$6.2 million, HK\$4.6 million and HK\$3.1 million as at 30 September 2013, 2014 and 2015 and 31 May 2016, respectively. The following table sets out the future minimum lease payments payable by our Group as at the dates indicated under non-cancellable operating leases.

---

## FINANCIAL INFORMATION

---

At the end of each reporting period, our Group was committed to make future minimum lease payments in respect of office properties and factories rented under non-cancellable operating leases which fall due as follows:

	As at 30 September			As at 31 May
	2013	2014	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating leases which expire:				
Within one year	676	2,819	3,718	3,022
In the second to fifth years inclusive	—	3,422	912	125
	676	6,241	4,630	3,147

Operating lease payments represent rentals payable by our Group for certain of its office properties and factories. Leases are negotiated for a maximum term of three years and rentals are fixed during the lease term.

Other than operating lease commitments, our Group had no capital commitments as at 30 September 2013, 2014 and 2015 and 31 May 2016.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except as disclosed in this prospectus, we have not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third parties.

We do not have any interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development or other services with us.

### QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISKS

#### Credit risk

The Group's credit risk is primarily attributable to trade receivables. The exposure to credit risk is monitored on an ongoing basis.

The Group is exposed to concentration risk as a significant portion of its business is derived from its largest customers. As at 30 September 2013, 2014 and 2015 and 31 May 2016, trade receivables of HK\$36,971,000, HK\$49,377,000, HK\$55,195,000 and HK\$39,230,000 were contributed by the five largest customers, respectively. In order to minimise any credit risk, the management of the Group has

---

## FINANCIAL INFORMATION

---

delegated a team which is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of each individual trade debt on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts.

Additionally, in certain markets, specific guarantee insurance is taken out to minimise any credit rate risk. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced. Our management does not expect any significant losses of trade receivables that have not been provided for by way of an allowance.

The credit risk on liquid funds is limited because the counterparts are banks with high credit ratings assigned by international credit-rating agencies.

Maximum exposure to credit risk in respect of financial guarantees issued by the Group was HK\$nil, HK\$34 million, HK\$nil and HK\$nil as at 30 September 2013, 2014 and 2015 and 31 May 2016, respectively, which represented the maximum amount the Company could be required to pay if the guarantees were called on.

### **Interest rate risk**

The Group's exposure to interest rate risk relates principally to its interest-bearing bank borrowings and interest-bearing inter-company loans. The interest-bearing bank borrowings have floating and fixed interest rates and are mainly denominated in HK\$ and US\$. The interest rates and terms of repayment of interest-bearing bank borrowings of the Group are disclosed in note 26 in the Accountant's Report. At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. The Group will constantly review the economic situation and its interest rate profile and will consider appropriate hedging measures in the future which may be necessary.

The net interest credit experienced by the Group is HK\$5,000, HK\$1,272,000 and HK\$1,655,000 for the years ended 30 September 2013, 2014 and 2015 respectively. If there were a 1% increase/(decrease), the net interest credit would increase/(decrease) by approximately HK\$14,000, HK\$500,000 and HK\$500,000 for the years ended 30 September 2013, 2014 and 2015, respectively. The net interest expense experienced by the Group is HK\$814,000 for the eight months ended 31 May 2016. If there were a 1% increase/(decrease), the net interest expense would (decrease)/increase by approximately HK\$166,000 for the eight months ended 31 May 2016.

During the Track Record Period, our Group has not entered into any interest rate hedging contracts or any other interest rate related derivative financial instruments. Our management will monitor our Group's related interest rate exposure and consider hedging significant interest rate exposure when the need arises.

### **Foreign currency risk**

Foreign currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

---

## FINANCIAL INFORMATION

---

The Group's principal operating subsidiaries carry out their operations in the PRC, including Hong Kong. Entities in the Group regularly transact in currencies other than their respective functional currencies with regard to the selling and purchase of products. As a consequence of the various trading activities, certain trade receivables and borrowings of the Group are denominated in foreign currencies. While the Group has no formal hedging policy, it will seek to manage its foreign currency exposures by constructing natural hedges as well as entering into certain forward foreign exchange contracts to minimise any currency exposure risks when necessary.

The Group's foreign currency risk is mainly concentrated on the fluctuation of the US\$ against the RMB.

Assuming sensitivity to a 5% increase where the RMB strengthens against the US\$ there would be an increase in profit of approximately HK\$2.3 million, HK\$2.6 million, HK\$2.0 million and HK\$2.6 million for the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, respectively. For a 5% weakening of the currency there would be an equal and opposite impact on profit or loss. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 5% change in foreign currency rates.

Our management will closely monitor our Group's currency exposure and consider hedging significant currency exposure risk when the need arises.

### **Liquidity risk**

Our Group will be exposed to liquidity risk if we are unable to finance the future working capital and financial requirements when they fall due. In the management of liquidity risk, our Group monitors and maintains adequate levels of cash and cash equivalents to finance our Group's operations.

During the Track Record Period, we meet our working capital requirements by relying on cash generated from operating activities and banking facilities. The Group maintained positive cash inflow from operating activities amounted to approximately HK\$29,498,000, HK\$29,462,000, HK\$28,718,000 and HK\$23,125,000 during the years ended 30 September 2013, 2014, and 2015 and the eight months ended 31 May 2016, respectively.

As at 31 May 2016, the Group's banking facilities amounted to approximately HK\$85,479,000, comprising overdraft, confidential invoicing and import loans. As at 31 May 2016, the Group had bank borrowings approximately HK\$34,922,000 and the unutilised banking facilities are approximately HK\$50,557,000.

Trade payable turnover days were 43, 42, 45 and 51 for the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, respectively. Trade receivable turnover days were 68, 65, 72 and 79 for the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, respectively. The Group's trading terms imply that the payment to suppliers are more quickly than the receipt of payments from customers.

---

## FINANCIAL INFORMATION

---

We closely review our trade receivable balance and any overdue balances on an ongoing basis and assessments are made by our management on the collectability of overdue balances. Moreover, our major customers pay on a regular basis. During the Track Record Period, we had not experienced any material bad debt problems and any material difficulty in collecting payment from our customers.

The Directors believe that the mismatch of trade receivables and trade payables turnover days will have minimal impact to the liquidity position.

### PROPERTY INTERESTS AND PROPERTY VALUATION

A valuation on the Group's property interests in the owned properties of the Songgang Factory as at 30 September 2016 has been conducted by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Valuation certificate issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited is included in the section headed "Appendix IV — Valuation report" in this prospectus.

The table below sets forth the reconciliation of the aggregate amount of net book value of our property interests from our consolidated financial information as at 31 May 2016 with the valuation of property interests as at 30 September 2016:

	<i>HK\$'000</i>
Net book value of land and buildings of the property interests as at 31 May 2016 (audited)	10,985
Movement from 31 May 2016 to 30 September 2016 (unaudited)	
Depreciation	(217)
Currency realignment	<u>(247)</u>
Net book value of land and buildings of the property interests as at 30 September 2016 (unaudited)	10,521
Valuation surplus as at 30 September 2016	<u>22,821</u>
Valuation of land and buildings of the property interests as at 30 September 2016 as set out in the Property Valuation Report in Appendix IV <sup>Note</sup>	<u><u>33,342</u></u>

*Note:* The valuation of the property interests as at 30 September 2016 of RMB28,713,000 as set out in the Property Valuation Report in Appendix IV is translated into approximately HK\$33,342,000 at an exchange rate of RMB1 to HK\$1.1612.

### RECENT FINANCIAL DEVELOPMENTS

Based on our unaudited financial statements, our revenue for the four months ended 30 September 2016 was approximately HK\$109.7 million, representing a decrease of approximately HK\$1.2 million or 1.1% compared to the same period of last year.

---

## **FINANCIAL INFORMATION**

---

Our reporting accountant has conducted a review on our subsequent interim financial information for the four months ended 30 September 2016 in accordance with the Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

### **SUFFICIENCY OF WORKING CAPITAL**

Taking into account the financial resources available to our Group, including the internally generated funds, available banking loans and the estimated net proceeds of the Share Offer, our Directors are of the opinion that our Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our Group (i) has not encountered any difficulty in obtaining external borrowings; (ii) has not been recalled or requested for early repayment of borrowings; (iii) has not had any delay or default in repayment of trade and non-trade payables and bank borrowings, and/or breaches of other covenants under its borrowings, save for the breach set out in the paragraph headed “Indebtedness — Breach of Financial Covenant” in this section.

### **OTHER MATERIAL ARRANGEMENTS**

We do not have any outstanding derivative instruments, other guarantees or foreign currency forward contracts. We do not engage in trading activities involving non-exchange trade contracts.

### **NO MATERIAL ADVERSE CHANGE**

Except for the estimated listing expenses for the year ended 30 September 2016, our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 1 June 2016, being the date of our last audited financial statements as set out in Appendix I to this prospectus, and up to the date of this prospectus.

### **RELATED PARTY TRANSACTIONS**

With respect to the related party transactions set out in the accountant’s report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms and/or on terms not less favourable than terms available from Independent Third Parties, which are considered fair, reasonable and in the interest of our shareholders as a whole.

### **DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES**

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

---

## FINANCIAL INFORMATION

---

### DISTRIBUTABLE RESERVES

Our Company has HK\$42.2 million available for distribution to the Shareholders as at 31 May 2016.

### DIVIDEND

During the three years ended 30 September 2015 and the eight months ended 31 May 2016, we have declared dividends of HK\$7,500,000, HK\$20,000,000, HK\$67,094,000 and HK\$50,000,000, respectively. On 14 December 2015, we originally declared a dividend of HK\$50,000,000, of which HK\$20,000,000 was paid on 16 December 2015, while the remaining HK\$30,000,000 was later rescinded by the Board on 29 January 2016 as the Company did not submit the listing application to the Stock Exchange. Thereafter, a second interim dividend of HK\$30,000,000 was declared on 15 April 2016, prior to the submission of the listing application on 27 April 2016. The dividend of HK\$30,000,000 was paid in October 2016 through internal resources.

Our Company currently does not have a dividend policy and may declare dividends by way of cash or by other means that the Directors consider appropriate. Our distribution of dividends, in the future, if any, will depend on the results of our operations, cash flows, financial conditions, statutory and regulatory restrictions as aforementioned and other factors that we may consider relevant. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year.

There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year. The dividend payment will reduce our liquidity position as cash balance will be reduced accordingly. Although we do not have a dividend policy, we will consider our results of operations and cash flows when we decide to distribute dividends. As such, we expect a healthy liquidity position can be maintained after the distribution of dividends.

### PROFIT ESTIMATE FOR THE YEAR ENDED 30 SEPTEMBER 2016

Our Directors estimate that, based on Appendix III to this prospectus, our estimated consolidated profit attributable to owners of our Company and unaudited pro forma estimated earnings per Share for the year ended 30 September 2016 are as follows:

Estimated consolidated profit attributable to owners of our Company	not less than HK\$14.7 million
Unaudited pro forma estimated earnings per Share	not less than HK\$0.049

The profit estimate has been prepared by the Directors based on (i) the audited consolidated results of our Group for the eight months ended 31 May 2016 in the Accountant's Report as set out in Appendix I to this prospectus; and (ii) the unaudited consolidated results based on the management accounts of the Group for the remaining four months ended 30 September 2016.

---

## FUTURE PLANS AND USE OF PROCEEDS

---

### FUTURE PLANS

For a detailed description of our future plans, please refer to the section headed “Business — Business strategies” in this prospectus.

### USE OF PROCEEDS

Our Directors believe that the net proceeds to be received by our Company from the Share Offer will raise our corporate profile, strengthen our capital base and provide funding for achieving our business relocation plan.

The net proceeds from the Share Offer, after deducting underwriting fees and estimated expenses paid and payable by us in connection thereto, are estimated to be approximately HK\$71.3 million, assuming an Offer Price of HK\$1.62 per Share, being the mid-point of the proposed Offer Price range of HK\$1.44 to HK\$1.80 per Share. We intend to use such net proceeds as follows:

- (a) approximately HK\$69.5 million (or approximately 97.5% of our total estimated net proceeds) will be used for streamlining and modernising our production process as well as the relocation of production facilities from the Songgang Factory to a self-contained leasehold manufacturing facility in the Shenzhen area of which:
  - (i) approximately HK\$33.0 million (or approximately 46.2% of our total estimated net proceeds) will be used to purchase new machines and equipment for the installation of new production lines, including injection moulding machines, auto-wiring machines and SMT machines;
  - (ii) approximately HK\$17.3 million (or approximately 24.3% of our total estimated net proceeds) will be used for the leasehold improvement of the new manufacturing facility in Shenzhen;
  - (iii) approximately HK\$11.5 million (or approximately 16.2% of our total estimated net proceeds) will be used to manufacture additional inventories to meet customers’ demand during the process of relocation; and
  - (iv) approximately HK\$7.7 million (or approximately 10.8% of our total estimated net proceeds) will be used to relocate our machines and equipment to the new manufacturing facility, including relocation expenses, and deposits payable on the new production plant and dormitory leases; and
- (b) approximately HK\$1.8 million (or approximately 2.5% of our total estimated net proceeds) will be used for general working capital and general corporate purposes.

---

## FUTURE PLANS AND USE OF PROCEEDS

---

We estimate that the Selling Shareholder will receive net proceeds of approximately HK\$40.0 million at the Offer Price of HK\$1.62 per Share (being the mid-point of the indicative range of the Offer Price) after deducting related underwriting fees and estimated expenses in connection with the Share Offer. We will not receive any proceeds from the Sale Shares.

If the Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds of the Share Offer, will increase to approximately HK\$82.3 million or decrease to approximately HK\$60.3 million, respectively. In such event, we will increase or decrease the intended use of the net proceeds for the above purposes on a pro-rata basis.

The application of the net proceeds as stated above are only current estimates and are subject to change based on prevailing economic, market and business conditions. To the extent that the net proceeds of the Share Offer are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit such net proceeds into interest-bearing bank accounts with licensed banks and/or financial institutions.

---

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

---

### DIRECTORS

The Board currently consists of six Directors comprising two executive Directors, one non-executive Director and three independent non-executive Directors. The functions and duties of the Board include, but are not limited to, convening the general meetings, reporting on the performance of the Board at the general meeting, implementing the resolutions passed at the general meetings, formulating business plans and investment plans, preparing the annual budget and final accounts, preparing proposals on profit distribution and increasing or decreasing the registered capital, as well as performing the other authorities, functions and responsibilities in accordance with the Articles of Association.

The following table sets forth the information regarding the members of the Board:

Name	Age	Year of Joining our Group	Present Position	Date of Appointment as Director	Roles and Responsibilities	Relationship with the other Directors
<b>Executive Directors</b>						
Mr. Henry Woon-hoe Lim	65	2010	Chief executive officer and executive Director	1 July 2010	Overall management and formulation of business strategy of our Group	N/A
Mr. Ho Hon Ching (何漢清)	55	1999	Chief operating officer and executive Director	15 January 2016	Overall management and operation of our Group	N/A
<b>Non-executive Director</b>						
Mr. Hsu Simon Nai-cheng (徐乃成)	56	2003	Chairman and non-executive Director	16 January 2015	Serves on the remuneration and nomination committees of the Board; responsible for overseeing the management and formulation of business strategy of our Group	N/A

---

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

---

Name	Age	Year of Joining our Group	Present Position	Date of Appointment as Director	Roles and Responsibilities	Relationship with the other Directors
<b>Independent non-executive Director</b>						
Mr. Pochin Christopher Lu	57	2016	Independent non-executive Director	27 October 2016	Serves on the audit and remuneration committees of the Board; responsible for overseeing the management independently	N/A
Mr. Danny J Lay	64	2016	Independent non-executive Director	27 October 2016	Serves on the audit, remuneration and nomination committees of the Board; responsible for overseeing the management independently	N/A
Ms. Hui Leung Ching Patricia (許亮清)	49	2016	Independent non-executive Director	27 October 2016	Serves on the audit and nomination committees of the Board; responsible for overseeing the management independently	N/A

### Executive Directors

**Mr. Henry Woon-hoe Lim**, aged 65, is the chief executive officer and an executive Director. Mr. Lim has been a Director since 1 July 2010. He is responsible for the overall management and formulation of business strategy of our Group. He also oversees the overall financial and accounting functions of our Group.

Mr. Lim has over 30 years of experience in professional audit, financial accounting and international management. Prior to joining our Group, he spent 15 years with Fritz Companies, Inc., a former NASDAQ-listed company, where he was promoted to become a director of finance for international operations. He then served as the chief financial officer of Morrison Express Corporation, an Asia-based global freight forwarding and logistics service provider, from February 2000 to May 2009. In September 2004, he was appointed as an independent non-executive director of UPI (stock code: 0176), a company listed on the Stock Exchange, and subsequently became the executive director and chief executive officer of UPI (stock code: 0176) from June 2010 until September 2014. Mr. Lim has been the chief executive officer of SNH Global since October 2014.

---

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

---

Mr. Lim is a certified public accountant and is a fellow of the Institute of Singapore Chartered Accountants, Certified Public Accountants Australia and the Association of Chartered Certified Accountants.

Mr. Lim obtained his Bachelor of Commerce with Honours from Nanyang University (now known as Nanyang Technological University) of Singapore in 1974.

During the three years immediately preceding the Latest Practicable Date, he served as a director of UPI (stock code: 0176), a company listed on the Stock Exchange, from September 2004 to September 2014.

Mr. Lim has decided to retire from his position as chief executive officer of SNH Global shortly before the Listing so as to allow him to devote his time and attention in carrying out his duties as the Group's chief executive officer and executive Director. As at the Latest Practicable Date, Mr. Lim has already completed the transitioning of his responsibilities to the director of SNH Global, Mr. Hsu.

**Mr. Ho Hon Ching (何漢清)**, aged 55, is the chief operating officer and an executive Director and was appointed as Director of the Company on 15 January 2016. He is responsible for the overall management and operation of our Group.

Mr. Ho has worked in the manufacturing field for more than 35 years, of which over 25 years has been spent in the electronics industry. He joined the Group in 1999 and has been the chief executive officer of Pantene Industrial since September 2008. Prior to joining our Group, Mr. Ho was the senior engineer of Contrad Ltd. from May 1995 to March 1999. He was the section head of the engineering department of Semiconductor Mold & Dies Ltd. from June 1994 to April 1995 and a CAD drafterperson of Schneider Pty Limited from January 1990 to March 1994, respectively.

Mr. Ho obtained his associate diploma in mechanical engineering and his associate diploma in electrical/electronic engineering from the Granville College of TAFE in Australia in December 1993.

During the three years immediately preceding the Latest Practicable Date, Mr. Ho has not been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

### **Non-executive Director**

**Mr. Hsu Simon Nai-cheng (徐乃成)**, aged 56, is the chairman and the non-executive Director and a member of each of the remuneration committee and the nomination committee of the Board. Mr. Hsu has been a Director since 16 January 2015. He is responsible for overseeing the management and formulation of business strategy of our Group. Mr. Hsu is a director of SNH Global and has assumed a heavier role in SNH Global upon Mr. Lim's retiring of his duties as chief executive officer of SNH Global shortly before Listing. Taking into account his job commitments in SNH Global, as Mr Hsu did not have sufficient time and resources to be an executive Director of the Group, he has decided to take up the role of non-executive Director of the Group.

---

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

---

Mr. Hsu has over 30 years of experience as a corporate executive dealing with business in Asia and North America. Prior to joining our Group, he was the president and CEO of HMB Group during the years 1983 to 1986. Mr. Hsu was vice president of Redwood Development Corporation, handling foreign acquisitions from years 1987 to 1988. He was the president of Horwath & Union Corporation from years 1988 to 1990, engaging in serving Taiwanese and international clients in the field of real estate. He was also a general manager of CEF Taiwan Ltd, and was mainly involved in domestic and international mergers and acquisitions and equity investment from years 1990 to 1993. He was the managing director of Hanson Pacific Limited, the former Asian arm of Hanson PLC, a major UK headquartered international industrial conglomerate operating in basic industries, including natural resources, chemicals, building materials, tobacco, forest products and material handling from December 1993 to June 1996. He was a director and vice-chairman of UPI (stock code: 0176) from July 1996 to May 2014 and from June 2003 to May 2014, respectively.

Mr. Hsu obtained his Bachelor of Science in Business Administration from the California State University at Northridge, majoring in real estate in May 1983.

During the three years immediately preceding the Latest Practicable Date, he served as a director of UPI (stock code: 0176), a company listed on the Stock Exchange, from July 1996 to May 2014.

### **Independent non-executive Directors**

**Mr. Pochin Christopher Lu**, aged 57, was appointed as an independent non-executive Director, the chairman of the audit committee of the Board, and a member of the remuneration committee of the Board on 27 October 2016. He is primarily responsible for overseeing the management of our Group independently.

Mr. Lu is currently an executive director of Foxconn Interconnect Technology Ltd. and has since 12 August 2015, been serving as an independent non-executive director and the chairman of the audit committee of Greenland Holdings Corp Ltd (stock code: 600606, listed on the Shanghai Stock Exchange). He retired from Deloitte China in December 2014. He joined Deloitte U.S. in Los Angeles as an audit associate in 1981. During his 34 years of service with Deloitte, he had held many executive positions including Deloitte China CEO from years 2008 to 2013, and a member of the Deloitte Touche Tohmatsu Limited Global Executive Committee from years 2012 to 2013. He has also led a number of Deloitte initiatives in support of national policies and programs such as those of the Ministry of Finance and the State-owned Assets Supervision & Administration Commission.

Mr. Lu's professional and personal contributions have been recognised by the community. He is a two-time winner of the Shanghai's Magnolia Award in 2003 and 2005, which recognises expatriates for their deep friendship with and significant contributions to the development of the city of Shanghai.

Mr. Lu graduated with a Master Degree in accounting science from the University of Illinois, Urbana - Champaign USA in January 1981. He is also a member of the Chinese Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.

---

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

---

**Mr. Danny J Lay**, aged 64, was appointed as an independent non-executive Director, the chairman of the remuneration committee of the Board, and a member of each of the audit committee and the nomination committee of the Board on 27 October 2016. He is primarily responsible for overseeing the management of our Group independently.

Mr. Lay has over 32 years of experience in operational management. He was the Special Assistant to the Governor of the State of Missouri, the U.S.. Mr. Lay was the business leader of Emerson Commercial and Residential Solutions, Asia Pacific Region, the vice president of business development & operations of Emerson Electric Company, and the chairman and director of Emerson Professional Tools (Shanghai) Ltd. He is currently a consultant of Emerson World HeadQuarter, St Louis, MO, the U.S..

Mr. Lay obtained his Bachelor of Science in Physics from the Chung Yuan Christian University of Taiwan in June 1977 and his Master of Business Administration from Drury University in Missouri of the United States in August 1979. He is a fellow member of the Hong Kong Institute of Directors and a member of the board of trustees at Drury University in Missouri of the United States.

During the three years immediately preceding the Latest Practicable Date, Mr. Lay was an independent non-executive director of Allied Industrial Corporation Limited, a company listed on the Taipei Exchange (formerly the GreTai Securities Market) from 2012 to August 2015 and an independent non-executive director of Golden Eagle Retail Group Limited, a company listed on the Stock Exchange (stock code: 3308), since May 2014.

**Ms. Hui Leung Ching Patricia** (許亮清), aged 49, was appointed as an independent non-executive Director, the chairman of the nomination committee of the Board, and a member of the audit committee of the Board on 27 October 2016. She is primarily responsible for overseeing the management of our Group independently.

Ms. Hui has over 20 years of experience in the legal, regulatory, compliance and corporate secretarial fields. She is currently the Associate General Counsel of Hanesbrands Inc., overseeing the legal and company secretarial functions in Asia, Australia and Jordan. Prior to joining Hanesbrands Inc., Ms. Hui had been group legal counsel of Hutchison Whampoa Group from July 2000 to September 2006 and head legal adviser of China Resources Enterprises Limited from October 2006 to October 2009, and had also worked in the private practice for around 9 years including her position as consultant at King & Wood Mallesons from June 2010 to October 2012.

Ms. Hui obtained her Bachelor of Laws degree from the King's College, University of London, in August 1989. She was admitted as a solicitor in England and Wales in 1992 and Hong Kong in 1993. She is also a member of the Hong Kong Institute of Chartered Secretaries.

During the three years immediately preceding the Latest Practicable Date, she has not been a director of a public company which its securities are listed on any securities market in Hong Kong or overseas.

---

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

---

### SENIOR MANAGEMENT

Name	Age	Year of Joining our Group	Present Position	Date of Appointment to Position	Roles and Responsibilities
Mr. Fung Chow Man (馮秋文)	55	2007	Financial controller	October 2007	Overall financial management of the Songgang Factory
Mr. Wong Chi Kwan (黃智群)	51	2001	Chief operating officer	April 2008	Supply Chain Management
Mr. Chan Wang Cheung (陳永祥)	62	1982	Vice President, Engineering	September 2003	All engineering aspects of product design and quality control

**Mr. Fung Chow Man** (馮秋文), aged 55, has been our financial controller since October 2007 and is responsible for the overall financial management of the Songgang Factory.

Mr. Fung has over 20 years of experience in accounting, auditing and taxation. Prior to joining our Company, Mr. Fung had been the financial controller at MEGA Brands Toys Manufacturing (Shenzhen) Co., Limited from May 2005 to June 2007 and the financial controller at Winsome Toys Manufactory Ltd. from July 1991 to April 2005.

Mr. Fung obtained a Master of Science in Accounting from the Appalachian State University of North Carolina, the United States in 1991.

**Mr. Wong Chi Kwan** (黃智群), aged 51, joined Pantene in July 2001 and is currently the chief operating officer of Pantene Industrial. He is responsible for supply chain management (including production control, purchasing and material control, shipping & warehouse, engineering and quality control functions.) Mr. Wong has 25 years of experience in the manufacturing field. Mr. Wong obtained a Higher Diploma in Production and Industrial Engineering from the Hong Kong Polytechnic, a Bachelor Degree in Transport and Logistics Management from the Royal Melbourne Institute of Technology in Australia, and a Master Degree in Manufacturing Systems Engineering from the University of Warwick in the UK.

**Mr. Chan Wang Cheung** (陳永祥), aged 62, joined Pantene Industrial in October 1982 and is currently the vice president of the engineering team of Pantene Industrial. He is responsible for all engineering aspects of different product design and quality control. He has over 32 years of experience in the electronics and manufacturing field.

---

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

---

### COMPANY SECRETARY

**Mr. Som Wai Tong Ivan** (岑偉棠), aged 45, is our company secretary and is responsible for the company secretarial function.

Mr. Som has over 15 years of experience in accounting, auditing and taxation. Prior to joining our Company, Mr. Som had been an accountant at General Mills Hong Kong Ltd from March 2002 to November 2003 and an accountant at Johnson Matthey Hong Kong Limited from October 1999 to April 2001. He was the company secretary of UPI (stock code: 0176) from September 2008 to October 2014.

Mr. Som obtained a Master's Degree in Accountancy from Curtin University of Technology in Australia in April 1999. He is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia.

### COMPENSATION OF THE DIRECTORS, SENIOR MANAGEMENT AND STAFF

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses related to the performance of our Company. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations.

None of the Directors received any compensation for the years ended 30 September 2013, 2014 and 2015.

The aggregate remuneration of our Directors for the eight months ended 31 May 2016 was approximately HK\$485,000.

The compensation paid to the five highest paid individuals, including our directors for the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016 were approximately HK\$5.1 million, HK\$5.9 million, HK\$6.2 million and HK\$3.5 million, respectively.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office during the Track Record Period.

For the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, our total staff costs were approximately HK\$59.9 million, HK\$66.5 million, HK\$66.1 million and HK\$41.2 million, respectively. As of the Latest Practicable Date, we employed 847 full-time employees.

---

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

---

### CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. We will comply with the Corporate Governance Code. For further details of the corporate governance measures in relation to competing interest and conflict of interest of Directors adopted by our Group, please refer to the sections headed “Relationship with the Controlling Shareholders — Deed of Non-competition” and “Relationship with the Controlling Shareholders — Corporate governance measures” in this prospectus.

### BOARD COMMITTEES

#### **Audit committee**

An audit committee was established by our Company pursuant to a resolution of the Board on 27 October 2016 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the audit committee are to review and approve our Group’s financial reporting process and internal control and risk management systems. The members of the audit committee are Mr. Pochin Christopher Lu, Mr. Danny J Lay and Ms. Hui Leung Ching Patricia, all of whom are independent non-executive Directors. Mr. Pochin Christopher Lu is the chairman of the audit committee. The Board has determined that Mr. Pochin Christopher Lu possesses the appropriate professional qualifications and financial expertise for the purposes of compliance with the Listing Rules.

#### **Remuneration committee**

A remuneration committee was established by our Company pursuant to a resolution of the Board on 27 October 2016 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to Directors and senior management of our Group. The members of the remuneration committee are Mr. Danny J Lay, Mr. Pochin Christopher Lu and Mr. Hsu Simon Nai-cheng. Mr. Danny J Lay is the chairman of the remuneration committee.

#### **Nomination committee**

A nomination committee was established by our Company pursuant to a resolution of the Board on 27 October 2016 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the nomination committee are to make recommendations to the Board on appointment of Directors and the management of the Board succession. The members of the nomination committee are Ms. Hui Leung Ching Patricia, Mr. Danny J Lay and Mr. Hsu Simon Nai-cheng. Ms. Hui Leung Ching Patricia is the chairman of the nomination committee.

---

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

---

### EMPLOYEES

As at 30 September 2013, 2014 and 2015 and 31 May 2016, our Group had a total of 891, 908, 871 and 839 full-time employees respectively. A breakdown of our employees by function as at the Latest Practicable Date is set forth below.

	<u>Total</u>
Management	17
Production	669
Engineering	21
Quality control	41
Finance and accounting	15
Sales and marketing/customer services	6
General administration	<u>29</u>
	<u>798</u>

*Note:* As at the Latest Practicable Date, our Group has 14 non-PRC employees and some of them are seconded to the Songgang Factory.

We enter into individual employment contracts with our employees covering matters such as wages, employee benefits, safety and sanitary conditions in the workplace and grounds for termination. Our employees do not negotiate their terms of employment through any labour union or by way of collective bargaining agreements. The PRC government requires us to make contributions to the social insurances and the housing provident fund for each of our employees who have entered into employment contracts with our PRC subsidiary. The Directors consider that we maintain a good relationship with our employees. The Directors and our PRC Legal Adviser confirmed that we had complied with applicable employment laws and regulations in all material respects and there had been no outstanding material labour related legal proceedings or disputes against us as at the Latest Practicable Date.

All employees of our Group in Hong Kong have joined a mandatory provident fund scheme (the “MPF Scheme”) prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and the MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority. Our Group has made the relevant contributions in accordance with the aforesaid ordinance. Save as the aforesaid, our Group has not participated in other pension schemes in Hong Kong.

During the Track Record Period and up to the Latest Practicable Date, Shenzhen Pantai made contribution to the social insurance (i.e. basic pension insurance, basic medical insurance, unemployment insurance, workplace injury insurance and maternity insurance) and housing provident funds for its employees in the PRC.

---

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

---

### Training and Development

We recruit our employees based on a number of factors, including work experience, educational background and relevant skill sets pertinent to each position. We are committed to our employees' continuing education and development. We provide various internal and external training programmes to our employees, such as safety training and initial training for new employees with a view to improving staff knowledge. Our internal training programmes are also dynamic and tailored in accordance with the particular stage of our development. External training programmes are also provided for our employees, as we will also invite outside experts to conduct such training programmes.

### Employee Benefits

Our employee benefit expenses were approximately HK\$59.9 million, HK\$66.5 million, HK\$66.1 million and HK\$41.2 million for the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, respectively. The remuneration package for our employees includes salary and, in some cases, bonuses. We conduct periodic performance reviews for our employees, and their remuneration is performance-based. We are also required by PRC laws and regulations to contribute toward various government sponsored employee benefit plans, including social insurance and housing provident funds, in amounts equal to predetermined percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government where we operate our businesses from time to time.

In addition, a labour union was established to represent the employees with respect to labour disputes and other employee matters. Such labour union does not represent our employees for the purpose of collective bargaining, and our employees are not covered by any collective bargaining agreement. During the Track Record Period, we have not experienced any major disputes with our employees and we believe that we maintain a good work relationship with our employees.

### COMPLIANCE ADVISER

Pursuant to Rule 3A.19 of the Listing Rules, our Company has appointed Octal Capital Limited as our compliance adviser. The compliance adviser will advise us on the following matters pursuant to Rule 3A.23 of the Listing Rules:

- (i) the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (iii) where our Company proposes to use the 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
- (iv) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

---

## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

---

The term of this appointment will commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.45 of the Listing Rules on the distribution of our annual report in respect of the financial results of the first full financial year commencing after the Listing Date.

### **SHARE OPTION SCHEME**

The Share Option Scheme was adopted pursuant to the written resolutions of the Shareholders of our Company passed on 27 October 2016. The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward the employees, our Directors and other selected participants for their contributions to us. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set forth in the section headed “Statutory and general information” set out in Appendix VI to this prospectus.

---

## UNDERWRITING

---

### UNDERWRITERS

#### Public Offer Underwriters

##### *Sole Global Coordinator*

Quam Securities Company Limited

##### *Joint Bookrunners*

Octal Capital Limited  
Quam Securities Company Limited  
Koala Securities Limited

##### *Joint Lead Managers*

Octal Capital Limited  
Quam Securities Company Limited  
Koala Securities Limited  
Futu Securities International (Hong Kong) Limited

##### *Co-Lead Managers*

Ample Orient Capital Limited  
Brilliant Norton Securities Company Limited  
China Investments Securities International Brokerage Limited  
Frontpage Capital Limited  
Opus Capital Limited  
SBI China Capital Financial Services Limited  
Sinomax Securities Limited  
Sun International Securities Limited

### UNDERWRITING ARRANGEMENT AND EXPENSES

#### Public Offer

##### *Public Offer Underwriting Agreement*

The Public Offer Underwriting Agreement was entered into on 8 November 2016. As provided in the Public Offer Underwriting Agreement, we are offering the Public Offer Shares for subscription on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting or agreeing to grant the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Share Offer or otherwise, as mentioned

---

## UNDERWRITING

---

herein, and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed severally to subscribe or procure subscribers for the Public Offer Shares which are being offered but 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 upon and subject to, among other things, the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

### *Grounds for termination*

The respective obligations of the Public Offer Underwriters to subscribe, or procure subscribers for, the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) shall have the right, in their discretion, to terminate the obligations of the Public Offer Underwriters under this Agreement if they see fit upon the occurrence of any of the following events by notice in writing to the Company with immediate effect at any time prior to 8:00 a.m. on the Listing Date:

- (a) there has come to the notice of the Sole Sponsor and the Sole Global Coordinator that:
  - (i) any statement contained in this prospectus, the Application Forms or any other relevant documents used in connection with the Share Offer (the “Offer Documents”) considered by the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) to be material in the context of the Share Offer, was, when it was issued, or has become, materially untrue, incorrect or misleading in any respect or that any forecast, expression of opinion, intention or expectation expressed in any Offer Documents is not, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole;
  - (ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) to be material in the context of the Public Offer;
  - (iii) any of the representations and warranties given by the Company in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement is (or would when repeated be) materially untrue, inaccurate or misleading or having been breached and considered by the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) to be material in the context of the Public Offer;
  - (iv) any breach of any of the obligations or undertakings imposed upon any party (other than the Sole Sponsor, the Sole Global Coordinator or any of the Public Offer Underwriters) to any of the Underwriting Agreements considered by the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) to be material in the context of the Public Offer;

---

## UNDERWRITING

---

- (v) any adverse change in the condition, business, assets and liabilities, properties, results of operations, in the financial or trading position or prospect of any member of the Group considered by the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) to be material in the context of the Public Offer;
  - (vi) approval by the Listing Committee of the listing of, and permission to deal in, our Shares is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
  - (vii) our Company withdraws any of the Offer Documents (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Share Offer;
  - (viii) any matter, event, act or omission which gives or is likely to give rise to any material liability of our Group pursuant to the indemnities given by our Company;
  - (ix) any person (other than the Sole Sponsor, the Sole Global Coordinator and any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents;  
or
- (b) there shall develop, occur, exist or come into effect:
- (i) any material and adverse change or development in, or any event or series of events resulting or likely to result in or representing any change or development in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, 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 devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, the BVI, the U.S., Germany or any other relevant jurisdiction (collectively the “Relevant Jurisdictions” and each a “Relevant Jurisdiction”);
  - (ii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, large-scale protest, fire, explosion, flooding, earthquake, tsunami, civil commotion, acts of war, riot, public disorder, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, outbreak of infectious disease) in or affecting any of the Relevant Jurisdictions with a material and adverse effect;
  - (iii) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, or (B) a general moratorium on commercial banking activities in any

---

## UNDERWRITING

---

of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions with a material and adverse effect;

- (iv) any material and adverse change or development or event in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions;
- (v) any material and adverse change or development or event in our Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects;
- (vi) other than with the prior written consent of the Sole Sponsor and the Sole Global Coordinator, the issue or requirement to issue by our Company of a supplementary prospectus or offer document pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the reasonable opinion of the Sole Sponsor and the Sole Global Coordinator, materially adverse to the marketing for or implementation of the Share Offer;
- (vii) a petition is presented for the winding up or liquidation of our Company or any of its subsidiaries, or our Company or any of our subsidiaries make any compromise or arrangement with the creditors of our Group or enter into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any of its subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Group or anything analogous thereto occurs in respect of our Company or any of our subsidiaries;
- (viii) a valid demand by any creditor for repayment or payment of any of the substantial indebtedness of our Group or in respect of which our Company or any of our subsidiaries are liable prior to its stated maturity, or any loss or damage sustained by our Company or any of our subsidiaries (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (ix) any material and adverse litigation or claim being instigated against our Company or any of our subsidiaries; or

and which, in any of the above cases and in the opinion of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters):

- (i) is or may or will be or is likely to be materially adverse to, or materially prejudicially affect, the business or financial or trading position or prospects of our Company and our subsidiaries as a whole;

---

## UNDERWRITING

---

- (ii) has or may have or will have or is likely to have a material adverse effect on the success of the Share Offer and/or make it impracticable or inadvisable for any part of the Underwriting Agreements, the Public Offer or the Share Offer to be performed or implemented as envisaged; or
- (iii) makes or may make or will or is likely to make it inadvisable or inexpedient to proceed with the Public Offer or the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus.

### Undertakings

#### *Undertakings pursuant to the Public Offer Underwriting Agreement*

##### *Undertakings by our Company*

Our Company hereby further undertakes irrevocably and unconditionally to each of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) that, except pursuant to the Share Offer, the Capitalisation Issue and any options which may be granted under the Share Option Scheme, our Company will not, and will procure that our subsidiaries will not, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters), and unless in compliance with the requirements of the Listing Rules, at any time during the first six-month period commencing on the date by reference to which disclosure of the shareholding of our Company, executive Directors and Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (the “First Six-Month Period”):

- (a) offer, accept, subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, or repurchase any share of our Company or any of our subsidiaries or other securities convertible into or exercisable or exchangeable for, or which represent the right to receive, any such share or any interest therein;
- (b) enter into any swap or other arrangement which transfers to another, in whole or in part, any of the economic consequences of ownership of any such share or securities or any interest therein;
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or
- (d) offer or agree or contract to, or publicly announce any intention to enter into, any transaction specified in paragraph (a), (b) or (c) above,

---

## UNDERWRITING

---

whether any such transaction specified in paragraph (a), (b) or (c) above is to be settled by delivery of share or such other securities, in cash or otherwise, and in the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months commencing on the date on which the First Six-Month Period expires (the “Second Six-Month Period”), our Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market for the Shares or other securities of our Company.

Our Company has further undertaken to each of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) that it will, and each of our Controlling Shareholders shall (so long as it remains a controlling shareholder of our Company (as defined under the Hong Kong Listing Rules)) procure that our Company shall:

- (a) use its best endeavours to maintain a listing for the Shares on the Stock Exchange for at least one year after the conditions set out in the Public Offer Underwriting Agreement have been fulfilled (or waived), will not engage in any act or omit to do any act or thing which may lead to a breach or non-compliance with the Listing Rules or adversely affect our Company’s listing status on the Stock Exchange, and will pay all fees and supply all further documents, information and undertakings and publish all advertisements or other materials as may be necessary or advisable for such purpose, except following a withdrawal of such listing which has been approved by the relevant shareholders of our Company in accordance with the Listing Rules or following an offer (within the meaning of the Hong Kong Code on Takeovers and Mergers) for our Company becoming unconditional;
- (b) not, at any time after the date of the Public Offer Underwriting Agreement up to and including the date on which all of the conditions set out therein are fulfilled (or waived) in accordance with the Public Offer Underwriting Agreement, amend or agree to amend the articles of association of our Company save as requested by the Stock Exchange;
- (c) until the date falling within the First Six-Month Period without prior consent of the Sole Sponsor and the Sole Global Coordinator, not enter into or procure, or permit any member of our Group to enter into, any commitment or agreement or arrangement:
  - (i) of an unusual or onerous nature and outside its ordinary course of business, if such commitment, agreement or arrangement would constitute a material contract for the purposes of this prospectus; or
  - (ii) which could materially and adversely affect the business or affairs of our Company and our Group taken as a whole;
- (d) during the one year following the Listing Date, refrain from taking any action that may jeopardise the listing status of the Shares on the Stock Exchange, provided, however, that this shall not prevent our Company from taking any action for the delisting or repurchase of the Shares so long as (a) our Company complies in all respects with the Listing Rules and all other applicable laws, and (b) the requisite approval of such action by the holders of the Shares is duly obtained.

---

## UNDERWRITING

---

### *Undertakings by our Controlling Shareholders*

Each of our Controlling Shareholders jointly and severally undertakes to each of our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) that, except pursuant to the Share Offer, the Capitalisation Issue and any options which may be granted under the Share Option Scheme, he/it will not, and will procure that his/its close associates will not, without the prior written consent (which consent shall not be unreasonably withheld or delayed) of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters), and unless in compliance with the Listing Rules:

- (a) at any time during the First Six-Month Period:
  - (i) sell, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, or repurchase any share of our Company or any of our subsidiaries or other securities convertible into or exercisable or exchangeable for, or which represent the right to receive, any such shares or any interest therein, whether owned directly or indirectly by any of our Controlling Shareholders (including holding as a custodian) or with respect to which any of our Controlling Shareholders has beneficial interest;
  - (ii) enter into any swap or other arrangement which transfers to another, in whole or in part, any of the economic consequences of ownership of any such share or securities or any interest therein;
  - (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or
  - (iv) offer or agree or contract to, or publicly announce any intention to enter into, any transaction specified in paragraph (i), (ii) or (iii) above;

whether any such transaction specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of share or such other securities, in cash or otherwise; and

- (b) at any time during the Second Six-Month Period, shall not and shall procure that none of his/its affiliates and associates (as defined in the Listing Rules) or any company controlled by him/it or any nominee or trustee holding in trust for him/it shall, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) and unless in compliance with the Listing Rules, enter into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above if,

---

## UNDERWRITING

---

immediately following such transaction upon the exercise or enforcement of such options, rights, interests or encumbrances or any other transactions, he/it will cease to be the Controlling Shareholder or would together with the other Controlling Shareholders cease to be the Controlling Shareholders.

Each of our Controlling Shareholders jointly and severally undertakes to our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriter) that:

- (a) until the expiry of the Second Six-Month Period, in the event that he/it or its affiliates and associates (as defined in the Listing Rules) enters into any of the transactions specified in the sub-paragraph (a) above or offers or agrees or contract to, or publicly announces any intention to enter into any such transactions, he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the Shares or other securities of our Company;
  
- (b) during the period after the date of the Public Offer Underwriting Agreement up to and including the date falling twelve months from the Listing Date, he/it shall (i) when he/it pledges or charges or otherwise creates any rights or encumbrances over any shares or other securities of our Company or those of our Controlling Shareholders beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) and if required, the Stock Exchange, in writing of such pledge or charge or creation of the rights or encumbrances together with the number of shares or other securities of our Company so pledged or charged and all other information as requested by our Company, the Sole Sponsor or the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters); and (ii) subsequent to the pledge or charge or creation of rights or encumbrances over the Shares of our Company (or interest therein) or other shares or interests as mentioned in paragraph (i) above, when he/it receives any indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged shares or encumbered securities as referred to in paragraph (i) above will be disposed of, immediately inform our Company in writing of such indications, and inform the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) in writing as soon as practicable thereafter (taking into account the requirements of applicable laws, rules and regulations) of such indications. Our Company agrees and undertakes that upon receiving such information in writing from the Controlling Shareholders of our Company, it shall, as soon as practicable, notify the Stock Exchange and make a public disclosure in relation to such information by way of press announcement in accordance with Rule 2.07 of the Listing Rules;

---

## UNDERWRITING

---

- (c) he /it will comply with the requirements of Rule 10.07(1) and Notes (1) and (3) to Rule 10.07(2) of the Listing Rules, and will procure that our Company will comply with the requirements under Note (3) of Rule 10.07(2) of the Listing Rules, and will comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by his/its close associates of any Shares or other securities of our Company; and
  
- (d) at any time before the expiry of the Second Six-Month Period:
  - (i) upon any pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance) of any share or other securities of our Company or any interests therein in respect of which he/it is the beneficial owner, immediately inform the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) in writing of such pledge or charge together with the number of share or other securities so pledged or charged; and
  
  - (ii) upon any indication received by him/it, either verbal or written, from any pledgee or chargee that any of the pledged or charged share or securities or interests in the share or other securities of our Company will be disposed of, immediately inform the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) in writing of such indications.

Each of the Controlling Shareholders jointly and severally undertakes to the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) that he/it will procure our Company to inform the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) as soon as our Company has been informed of the matters mentioned in the immediate sub-paragraphs (a), (b), (c) or (d) above and to make an announcement of such matters as soon as possible thereafter in accordance with the Listing Rules.

### **Undertakings to the Stock Exchange pursuant to the Listing Rules**

#### ***Undertakings by our Company***

Pursuant to Rule 10.08 of the Listing Rules, our Company undertakes that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in any of the circumstances provided for under Rule 10.08 of the Listing Rules or pursuant to the Share Offer.

---

## UNDERWRITING

---

### *Undertakings by our Controlling Shareholders*

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders, jointly and severally, undertakes to each of our Company and the Stock Exchange that, save as permitted under the Listing Rules:

- (i) in the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “First Six-Month Period”), he/it shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner; and
- (ii) in the period of six months commencing on the date which the First Six-Month Period expires, he/it shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Our Controlling Shareholders further, jointly and severally, undertake to each of our Company and the Stock Exchange that within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is twelve months from the Listing Date, he/it will:

- (i) when he/it pledges or charges any Shares beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) pursuant to note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when he/it receives indications, either verbal or written, from any pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

### **Placing**

#### *Placing Underwriting Agreement*

In connection with the Placing, our Company, amongst other parties, expect to enter into the Placing Underwriting Agreement with the Placing Underwriters, on the terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

---

## UNDERWRITING

---

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters agree to procure subscribers or purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the Placing Shares initially being offered or sold pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated.

It is expected that pursuant to the Placing Underwriting Agreement, our Company and our Controlling Shareholders will make similar undertakings as those given pursuant to the Listing Rules and the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings” above.

### **Total commission, fee and expenses**

In connection with the Share Offer, the Sole Global Coordinator and the other Underwriters will receive an underwriting commission of 3.0% of the total Offer Price of all the Offer Shares being underwritten. The Sole Global Coordinator will also be entitled to a discretionary incentive bonus of 0.25% of the total Offer Price of all the Offer Shares being underwritten.

Assuming the Offer Price of HK\$1.62 per Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the total expenses in connection with the Listing and the Share Offer are estimated to be approximately HK\$34.5 million (including underwriting commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsorship and documentation fee, the listing fee, the legal and other professional fees, printing cost and other expenses relating to the Share Offer) which shall be equally borne by our Company and the Selling Shareholders.

### **Indemnity**

Our Company, amongst other parties, have agreed to indemnify the Sole Global Coordinator and the other Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Underwriting Agreements, and any breach by our Company and other parties of the Underwriting Agreements.

### **Independence of the Sole Sponsor**

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules.

---

## UNDERWRITING

---

### **Sole Sponsor's, Sole Global Coordinator's, Joint Bookrunners', Joint Lead Managers' and Underwriters' interest in our Company**

The Sole Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until despatch of the audited consolidated financial results for the first full financial year after the Listing Date, and our Company will pay to the Sole Sponsor an agreed fee for its provision of services with the scope required under the Listing Rules.

Save for their interests and obligations under the Underwriting Agreements, the advisory and documentation fee payable to the Sole Sponsor in respect of the Share Offer and as disclosed in this prospectus, none of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

### **Minimum Public Float**

Our Directors and the Sole Global Coordinator will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

---

## STRUCTURE OF THE SHARE OFFER

---

### THE SHARE OFFER

This prospectus is published in connection with the Public Offer as part of the Share Offer. Octal Capital Limited is the Sole Sponsor of the Share Offer. Quam Securities Company Limited is the Sole Global Coordinator of the Share Offer. Octal Capital Limited, Quam Securities Company Limited and Koala Securities Limited are the Joint Bookrunners of the Share Offer. Octal Capital Limited, Quam Securities Company Limited, Koala Securities Limited and Futu Securities International (Hong Kong) Limited are the Joint Lead Managers of the Share Offer.

The Share Offer initially consists of (subject to reallocation):

- (i) the Public Offer of 9,000,000 New Shares (subject to reallocation as mentioned below) in Hong Kong as described below in the paragraph headed “Public Offer” in this section; and
- (ii) the Placing of 81,000,000 Shares comprising 54,000,000 New Shares and 27,000,000 Sale Shares (subject to reallocation as mentioned below) which will conditionally be placed with selected professional, institutional, and other investors under the Placing.

Of the 9,000,000 Offer Shares initially being offered under the Public Offer, 900,000 Offer Shares (representing 1% of the total number of Offer Shares initially being offered under the Share Offer) are available for subscription by Eligible Employees on a preferential basis under the Employee Preferential Offering, subject to the terms and conditions set out in this prospectus and the **PINK** Application Form.

Investors may apply for Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received Offer Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have applied for Public Offer Shares in the Public Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong.

Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** Application Form and, in addition, will be entitled to apply for Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both.

The Offer Shares will represent 30% of the enlarged total issued shares of our Company immediately after completion of the Share Offer.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the section “Structure of the Share Offer — Pricing and allocation”.

---

## STRUCTURE OF THE SHARE OFFER

---

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (for itself and on behalf of the Public Offer Underwriters) agreeing on the Offer Price. Our Company expects to enter into the Placing Underwriting Agreement relating to the Placing on or about the Price Determination Date. Details of the underwriting arrangements are summarised in the section “Underwriting” in this prospectus.

### PRICING AND ALLOCATION

#### Offer Price range

The Offer Price will be not more than HK\$1.80 per Offer Share and is expected to be not less than HK\$1.44 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as explained below.

**Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

#### Price payable on application

Applicants under the Public Offer must pay, on application, the maximum indicative Offer Price of HK\$1.80 per Public Offer Share plus a 1% brokerage fee, a 0.0027% SFC transaction levy and a 0.005% Stock Exchange trading fee, amounting to a total of HK\$3,636.28 for one board lot of 2,000 Offer Shares. Each Application Form includes a table showing the exact amount payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$1.80, appropriate refund payments (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. See the section “How to apply for public offer shares and employee reserved shares — 13. Refund of application monies” in this prospectus.

#### Determining the Offer Price

The Placing Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the Placing. Prospective investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or about Monday, 14 November 2016.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Tuesday, 15 November 2016 and in any event, not later than Wednesday, 16 November 2016.

---

## STRUCTURE OF THE SHARE OFFER

---

**If, for any reason, our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price by Wednesday, 16 November 2016, the Share Offer will not proceed and will lapse.**

### **Reduction in Offer Price range and/or number of Offer Shares**

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator (for itself and on behalf of the Underwriters) considers it appropriate and together with our Company's consent, the indicative Offer Price range and/or the number of Offer Shares may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at [www.pantronicshk.com](http://www.pantronicshk.com) a notice of the reduction in the indicative Offer Price range and/or number of Offer Shares. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section "Summary" in this prospectus and any other financial information which may change as a result of such reduction. The Offer Price, if agreed upon, will be fixed within such revised Offer Price range. In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer. Applicants under the Public Offer should note that in no circumstances can applications be withdrawn once submitted, even if the indicative Offer Price range and/or number of Offer Shares is so reduced.

### **Announcement of final Offer Price and basis of allocations**

The applicable final Offer Price, the level of indications of interest in the Placing and the basis of allocations of the Public Offer Shares are expected to be announced on Friday, 18 November 2016 on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of our Company ([www.pantronicshk.com](http://www.pantronicshk.com)).

Results of allocations in the Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants (where applicable) and the number of Public Offer Shares successfully applied for under **PINK**, **WHITE** and **YELLOW** Application Forms, or by giving **electronic application instructions** to HKSCC or by applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service will be made available through a variety of channels as described in the section "How to apply for public offer shares and employee reserved shares — 11. Publication of results" in this prospectus.

---

## STRUCTURE OF THE SHARE OFFER

---

### THE PUBLIC OFFER

#### Number of Offer Shares initially offered

Our Company is initially offering 9,000,000 Offer Shares at the Offer Price, representing 10% of the 90,000,000 Offer Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to reallocation as mentioned below, the number of Offer Shares offered under the Public Offer will represent 3% of the total issued shares of our Company immediately after completion of the Share Offer. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions set out in the section headed “Structure of the Share Offer — Conditions of the Share Offer” above.

#### Allocation

The total number of Public Offer Shares available under the Public Offer will initially be divided into two pools for allocation purposes as follows:

- Pool A: The Offer Shares in pool A, being an aggregate of 4,050,000 New Shares, will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of HK\$5 million or less; and
- Pool B: The Offer Shares in pool B, being an aggregate of 4,050,000 New Shares, will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of more than HK\$5 million and up to the value of pool B.

Applicants should be aware that 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 under-subscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Allocation of Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. The allocation of the Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

---

## STRUCTURE OF THE SHARE OFFER

---

Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 4,050,000 Offer Shares will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

### **Reallocation**

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation under the Listing Rules. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Public Offer to a certain percentage of the total number of Offer Shares offered under the Share Offer if certain prescribed total demand levels are reached. In the event of over-applications in the Public Offer, the Sole Global Coordinator (for itself and on behalf of the Underwriters) shall apply a clawback mechanism following the closing of the application lists on the following basis:

- If the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Public Offer, then 18,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 27,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Share Offer;
- If the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Public Offer, then 27,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 36,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Share Offer; and
- If the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of Offer Shares initially available for subscription under the Public Offer, then 36,000,000 Offer Shares will be reallocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be 45,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Share Offer.

In each case, the additional Offer Shares reallocated to the Public Offer will be allocated between pool A and pool B and the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Sole Global Coordinator (for itself and on behalf of the Underwriters) deems appropriate. In addition, the Sole Global Coordinator (for itself and on behalf of the Underwriters) may in its sole and absolute discretion reallocate Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer.

---

## STRUCTURE OF THE SHARE OFFER

---

If the Public Offer Shares are not fully subscribed, the Sole Global Coordinator (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 Global Coordinator (for itself and on behalf of the Underwriters) deems appropriate. If the Placing Shares are not fully subscribed or purchased, the Sole Global Coordinator (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 or un-purchased Placing Shares to the Public Offer in such amount as the Sole Global Coordinator (for itself and on behalf of the Underwriters) deems appropriate.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

### THE EMPLOYEE PREFERENTIAL OFFERING

Of the 9,000,000 Offer Shares initially being offered under the Public Offer, 900,000 Offer Shares (representing 1% of the total number of Offer Shares initially being offered under the Share Offer) are available for subscription by the Eligible Employees on a preferential basis, subject to the terms and conditions set out in this prospectus and the **PINK** Application Form.

The Employee Reserved Shares are being offered out of the Public Offer and are not subject to the clawback mechanism as set out in the paragraph headed “The Public Offer — Reallocation” in this section.

As at the Latest Practicable Date, there were approximately 11 Eligible Employees being eligible to apply for Employee Reserved Shares under the Employee Preferential Offering.

Allocation of the Offer Shares under the Employee Preferential Offering will be based on the written guidelines distributed to the Eligible Employees which are consistent with the allocation guidelines contained in Practice Note 20 of the Listing Rules. The allocation of the Offer Shares under the Employee Preferential Offering will, in any event, be made on an equitable basis and will not be based on the identity, the seniority, the length of service or the work performance of the Eligible Employees. No favour will be given to the Eligible Employees who apply for a large number of Employee Reserved Shares. Eligible Employees applying for Employee Reserved Shares will be subject to an allocation basis that is based on the level of valid applications received. The allocation basis will be determined by our Company’s Hong Kong Share Registrar based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in the Public Offer in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of Employee Reserved Shares. Any application made on a **PINK** Application Form for more than 900,000 Employee Reserved Shares will be rejected.

Any Offer Shares not subscribed for by the Eligible Employees under the Employee Preferential Offering will be available for subscription by the public in Hong Kong under the Public Offer after the reallocation as described above in the paragraph headed “The Public Offer” in this section.

---

## STRUCTURE OF THE SHARE OFFER

---

If you are an Eligible Employee, in addition to being able to apply for Employee Reserved Shares under the Employee Preferential Offering by a **PINK** Application Form, you may also:

- apply for Public Offer Shares as a member of the public in the Public Offer on a **WHITE** or **YELLOW** Application Form or by submitting application online through the designated website of the **HK eIPO White Form** Service Provider or giving electronic application instruction to HKSCC via CCASS; or
- apply for or indicate an interest for Placing Shares under the Placing,

but you may not do both. Eligible Employees will receive no preference as to entitlement or allocation in respect of such further application for Public Offer Shares or Placing Shares.

### THE PLACING

#### Number of 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 81,000,000 Shares comprising 54,000,000 New Shares and 27,000,000 Sale Shares, representing approximately 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 27% of our Company's enlarged issued shares immediately after the completion of the Share Offer, without taking into account Shares issuable upon exercise of any options granted under the Share Option Scheme. The Placing is fully underwritten by the Placing Underwriters.

#### Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriters or through selling agents appointed by them at the Offer Price. Placing Shares will be selectively placed to certain professional and institutional and other investors who generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. 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 book-building process described in the paragraph headed "Allocation" 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 shareholder base to the benefit of our Company and our Shareholders as a whole.

---

## STRUCTURE OF THE SHARE OFFER

---

The Sole Global Coordinator may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Sole Global Coordinator so as to allow it 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.

The Public Offer is open to the public as well as to institutional, professional and private investors in Hong Kong. The Placing involves selective marketing of the Placing Shares by the Placing Underwriters to professional, institutional and private investors. Investors may either apply for the Shares under the Public Offer or indicate an interest for the Shares under the Placing, and may only receive an allocation of Shares under the Public Offer or the Placing. The Offer Shares are not available for subscription by existing beneficial owners of the Shares, our Directors, chief executive of our Company or any of its subsidiaries or their respective associates, or any other connected persons (as defined in Chapter 1 of the Listing Rules) of our Company or persons who will become connected persons (as defined in Chapter 1 of the Listing Rules) of our Company immediately upon completion of the Share Offer.

### UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company (for itself and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters), agreeing on the Offer Price.

We expect to enter into the Placing Agreement relating to the Placing on or around the Price Determination Date. These underwriting arrangements and the Underwriting Agreements are summarised in the section headed “Underwriting” in this prospectus.

### CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon the satisfaction of all of the following conditions:

#### 1. Listing

The Listing Committee granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Share Offer, the Capitalisation Issue, Shares issuable upon exercise of options which may be granted under the Share Option Scheme (and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange).

#### 2. Underwriting Agreements

The entering into of the Placing Underwriting Agreement between, among others, our Company and the Placing Underwriters, and the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, among other things, the Offer Price be agreed by no later than the Price Determination Date and the Price Determination Agreement has been duly entered

---

## STRUCTURE OF THE SHARE OFFER

---

into, and if relevant, as a result of the waiver of any conditions given by the Sole Global Coordinator (for itself and on behalf of the Underwriters)), and not being terminated in accordance with its terms or otherwise. Details of the Public Offer Underwriting Agreement and grounds for termination are set out in the section headed “Underwriting” in this prospectus.

**If for any reason, the Offer Price is not agreed between our Company (for itself and on behalf of the Selling Shareholder) and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Wednesday, 16 November 2016, the Share Offer will not proceed and will lapse.**

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Public Offer to be published by us on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [www.pantronicshk.com](http://www.pantronicshk.com) on the next Business Day following such lapse.

In such event, all application monies will be returned, without interest, on the terms set out in the section headed “How to apply for public offer shares and the employee reserved shares” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

**Share certificates for the Offer Shares are expected to be issued on Friday, 18 November 2016 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on Monday, 21 November 2016, provided that the Share Offer has become unconditional in all respects; and the right of termination as described in the section headed “Underwriting” has not been exercised.**

### SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made for the Shares to be admitted into CCASS.

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

---

## STRUCTURE OF THE SHARE OFFER

---

### DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 21 November 2016, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 21 November 2016. The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares is 1611.

---

## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

---

### 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;
- apply online via the HK eIPO White Form service at [www.hkeipo.hk](http://www.hkeipo.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

If you are an Eligible Employee, you may also apply for Employee Reserved Shares by using a **PINK** Application Form. In addition, Eligible Employees may also apply for Public Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. Save as an Eligible Employee, none of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** 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 **HK eIPO White Form** 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.

---

## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

---

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** 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 in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate or a close associate (as defined in the Listing Rules) of any of the above;
- a connected person or a core connected person (as defined in the Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

Eligible Employees may apply for the Employee Reserved Shares on a **PINK** Application Form unless they:

- are an existing beneficial owner of Shares in our Company or an associate or a close associate (as defined in the Listing Rules) of an existing beneficial owner of Shares in our Company;
- are a connected person or a core connected person (as defined in the Listing Rules) of our Company or will become a connected person or a core connected person of our Company immediately upon the completion of the Share Offer;
- are a natural person of the PRC; or
- are a United States person or a person who is within the United States (both terms as defined under the Regulation S).

---

## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

---

### 3. APPLYING FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED 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.hkeipo.hk](http://www.hkeipo.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.

For Employee Reserved Shares under the Employee Preferential Offering by an Eligible Employee, use a **PINK** Application Form.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. from Wednesday, 9 November 2016 until 12:00 noon on Monday, 14 November 2016 from:

1. any of the following offices of the Public Offer Underwriters:

Octal Capital Limited	802-805, 8th Floor Nan Fung Tower 88 Connaught Road Central Hong Kong
Quam Securities Company Limited	18/F-19/F, China Building 29 Queen's Road Central Hong Kong

2. any of the following branches of Bank of Communications Co., Ltd. Hong Kong Branch:

	<b>BRANCH</b>	<b>ADDRESS</b>
<b>Hong Kong Island</b>	Hong Kong Branch	20 Pedder Street, Central
	Taikoo Shing Sub-Branch	Shop 38, G/F., CityPlaza 2 18 Taikoo Shing Road
<b>Kowloon</b>	Tsim Sha Tsui Sub-Branch	Shop Nos.1-3 on G/F., CFC Tower, 22-28 Mody Road Tsim Sha Tsui
	Ngau Tau Kok Sub-Branch	Shop G1 & G2, G/F., Phase I Amoy Plaza, 77 Ngau Tau Kok Road

---

## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

---

	<b>BRANCH</b>	<b>ADDRESS</b>
<b>New Territories</b>	Yuen Long Sub-Branch	Shop 2B, G/F., Man Yu Building, 2-14 Tai Fung Street, Yuen Long
	Tai Po Sub-Branch	Shop No.1, 2, 26 & 27, G/F., Wing Fai Plaza, 29-35 Ting Kok Road, Tai Po

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 9 November 2016 until 12:00 noon on Monday, 14 November 2016 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

A **PINK** Application Form together with a copy of this prospectus can be collected by Eligible Employees at Flat/RM 1603A, 16/F, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, Hong Kong during normal business hours from 9:00 a.m. on Wednesday, 9 November 2016 until 12:00 noon on Friday, 11 November 2016. Electronic copies of the **PINK** Application Form and this prospectus can be viewed from the respective websites of our Company at [www.pantronicshk.com](http://www.pantronicshk.com) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

### **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 Communications (Nominee) Co. Ltd. — Pantronics Holdings Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

**Wednesday, 9 November 2016 — 9:00 a.m. to 5:00 p.m.**  
**Thursday, 10 November 2016 — 9:00 a.m. to 5:00 p.m.**  
**Friday, 11 November 2016 — 9:00 a.m. to 5:00 p.m.**  
**Saturday, 12 November 2016 — 9:00 a.m. to 1:00 p.m.**  
**Monday, 14 November 2016 — 9:00 a.m. to 12:00 noon**

Your completed **PINK** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. — Pantronics Holdings Public Offer" for the payment, must be returned to Flat/RM 1603A, 16/F, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, Hong Kong by 12:00 noon on Friday, 11 November 2016.

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 14 November 2016, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

---

## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

---

### 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 **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any 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 (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Companies Act and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Global Coordinator and 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 Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Global Coordinator and 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;

---

## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

---

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator 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 (for itself and on behalf of the Selling Shareholder) and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying except in respect of Employee Reserved Shares applied under the Employee Preferential Offering.
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the 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 by you or by any one as your agent or by any other person; and

---

## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

---

- (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.

### **Terms, conditions and instructions for the PINK Application Form**

You may refer to the **PINK** Application Form for details.

## **5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE**

### **General**

Individuals who meet the criteria in “Who can apply” in this section may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form** 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 **HK eIPO White Form** service to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

### **Time for Submitting Applications under the HK eIPO White Form service**

You may submit your application to the **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 9 November 2016 until 11:30 a.m. on Monday, 14 November 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 14 November 2016 or such later time under “10. Effects of Bad Weather on the Opening of the Application Lists” in this section.

### **No Multiple Applications**

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** 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 **HK eIPO White Form** service 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.

---

## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

---

If you are suspected of submitting more than one application through the **HK eIPO White Form** 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).

### **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 Center  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

---

## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

---

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

### Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the 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 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 Global Coordinator 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;

---

## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

---

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Global Coordinator and 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 Branch Share Registrar, receiving bank, the Sole Global Coordinator and 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;

---

## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED 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 (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things.

Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and 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 2,000 Public Offer Shares. Instructions for more than 2,000 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.

---

## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

---

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

**Wednesday, 9 November 2016 — 9:00 a.m. to 8:30 p.m.** <sup>(1)</sup>  
**Thursday, 10 November 2016 — 8:00 a.m. to 8:30 p.m.** <sup>(1)</sup>  
**Friday, 11 November 2016 — 8:00 a.m. to 8:30 p.m.** <sup>(1)</sup>  
**Saturday, 12 November 2016 — 8:00 a.m. to 1:00 p.m.** <sup>(1)</sup>  
**Monday, 14 November 2016 — 8:00 a.m.** <sup>(1)</sup> **to 12:00 noon**

*Note:*

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m., Wednesday, 9 November 2016 until 12:00 noon, Monday, 14 November 2016 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon, Monday, 14 November 2016, the last application day or such later time as described in “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 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

---

## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

---

### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Global Coordinator and 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 **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** service to public investors. Such facility is 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 Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** 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 Monday, 14 November 2016.

### 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 or by giving **electronic application instructions** to HKSCC or through **HK eIPO**

---

## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

---

**White Form** 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 shares 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).

If you are an Eligible Employee, you may also make an application for Employee Reserved Shares by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications by any Eligible Employee are liable to be rejected. In addition, Eligible Employees may also apply for Public Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both.

### 9. HOW MUCH ARE THE PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

The **WHITE**, **YELLOW** and **PINK** 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 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 **HK eIPO White Form** service in respect of a minimum of 2,000 Public Offer Shares and if you are an Eligible Employee at the same time, you may also submit an application using a **PINK** Application Form. Each application or **electronic application instruction** in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

---

## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

---

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 of the Share Offer — Pricing and allocation”.

### 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 Monday, 14 November 2016.

Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 14 November 2016 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”, 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 Friday, 18 November 2016 on our Company’s website at [www.pantronicshk.com](http://www.pantronicshk.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer and Employee Preferential Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 8:00 a.m. on Friday, 18 November 2016;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID” function on a 24-hour basis from 8:00 a.m., on Friday, 18 November 2016 to 12:00 midnight on Thursday, 24 November 2016;

---

## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

---

- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 18 November 2016 to Wednesday, 23 November 2016 (excluding Saturday, Sunday and Public Holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 18 November 2016 to Tuesday, 22 November 2016 at all the receiving bank's designated branches and sub-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 of the Share Offer" in this prospectus. You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED 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 the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

---

## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

---

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 Global Coordinator, the **HK eIPO White Form** service 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 and Employee Reserved Shares is void:**

The allotment of Public Offer Shares and Employee Reserved Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange 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 **HK eIPO White Form** 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;

---

## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

---

- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the 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\$1.80 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 the section headed “Structure of the Share Offer — Public Offer” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Friday, 18 November 2016.

### 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) and one share certificate for all Employee Reserved Shares allocated to you under the Employee Preferential Offering.

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**, **YELLOW** and/or **PINK** 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,

---

## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

---

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 around Friday, 18 November 2016. 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).

If you apply by **PINK** Application Forms, your refund cheque(s) and Share certificate(s) will be sent to the Company on Friday, 18 November 2016 and the Company will arrange for onward transmission to you.

Share certificates will only become valid at 8:00 a.m. on Monday, 21 November 2016 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### *(i) If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 18 November 2016 or such other date as notified by us.

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 our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Friday, 18 November 2016, by ordinary post and at your own risk.

---

## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

---

(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. 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 Friday, 18 November 2016, 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 Friday, 18 November 2016, 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 Friday, 18 November 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply through the HK eIPO White Form Service*

If you apply for 1,000,000 or more Public Offer Shares and your application is wholly or partially successful, you may collect your Share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 18 November 2016, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto 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.

---

## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

---

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 Friday, 18 November 2016 by ordinary post at your own risk.

If you apply for 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-Auto 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.

(iv) *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 Friday, 18 November 2016, 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 "Publication of Results" above on Friday, 18 November 2016. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 18 November 2016 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.

---

## HOW TO APPLY FOR PUBLIC OFFER SHARES AND EMPLOYEE RESERVED SHARES

---

- 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 Friday, 18 November 2016. 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 Friday, 18 November 2016.

### 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, prepared for the sole purpose of inclusion in this prospectus, received from the independent reporting accountant of the Company, BDO Limited, Certified Public Accountant, Hong Kong.*



Tel : +852 2218 8288  
Fax: +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

電話 : +852 2218 8288  
傳真 : +852 2815 2239  
[www.bdo.com.hk](http://www.bdo.com.hk)

香港干諾道中111號  
永安中心25樓

9 November 2016

The Directors  
Pantronics Holdings Limited

Octal Capital Limited

Dear Sirs,

We set out below our report on the financial information of Pantronics Holdings Limited (the “Company”) and its subsidiaries (herein collectively referred to as the “Group”) which comprises the consolidated and company statements of financial position as at 30 September 2013, 2014 and 2015 and 31 May 2016, the consolidated statements of profit or loss, the consolidated statements of other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016 (the “Relevant Periods”), together with a summary of significant accounting policies and other explanatory notes (the “Financial Information”). This Financial Information has been prepared by the directors of the Company for inclusion in the prospectus of the Company dated 9 November 2016 (the “Prospectus”) issued in connection with the initial listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company, which acts as an investment holding company, was incorporated in the British Virgin Islands (the “BVI”) as a company with limited liability on 27 December 1990.

The Group is principally engaged in the contract manufacturing, on electronic manufacturing services (“EMS”) basis, of a wide range of power-related and electrical/electronic products.

Particulars of the Company's subsidiaries at each reporting date and the date of this report are as follows:

Name of subsidiary	Place and date of incorporation or establishment/ operations and type of legal entity	Issued and fully paid shares	Effective interest held by the Company as at				Date of this report	Principal activities
			30 September 2013	2014	2015	31 May 2016		
<i>Interest held directly</i>								
Pantene Industrial Co. Limited	Hong Kong ("HK")/ 30/12/1983/Limited liability company	100 shares of HK\$10,000	100%	100%	100%	100%	100%	Sale and distribution of rechargeable battery products
Pantronics International Holdings Limited	HK/01/07/1993/Limited liability company	10 shares of HK\$10	100%	100%	100%	100%	100%	Investment holding
Panjet Service Company Limited	HK/15/01/1991/Limited liability company	2 shares of HK\$2	100%	100%	100%	100%	100%	Investment holding
Panjet (Int'l) Limited	BVI/18/08/1992/Limited liability company	1 share of US\$1	100%	100%	100%	100%	100%	Inactive
Pantronics (Int'l) Limited	BVI/22/07/1991/Limited liability company	1 share of US\$1	100%	100%	100%	100%	100%	Inactive
Grace Harvest Corporation Limited	HK/08/07/2014/Limited liability company	1 share of HK\$1	N/A	N/A	100%	100%	100%	Provision of management services
<i>Interest held indirectly</i>								
Pin Xin International Limited	HK/29/11/1994/Limited liability company	10,000 shares of HK\$10,000	100%	100%	100%	100%	100%	Inactive
Pan Electrium Industrial Company Limited	HK/04/03/1998/Limited liability company	5,000,000 shares of HK\$5,000,000	100%	100%	100%	100%	100%	Inactive
Shenzhen Pantai Electronic Co., Ltd.	The People's Republic of China (the "PRC")/ 09/04/1994/Wholly foreign-owned enterprise	Registered capital US\$1,700,000	100%	100%	100%	100%	100%	Manufacture and sale of electronic products
Pantene Electronics North America, Inc.	United States of America (the "USA")/26/08/2005/ Limited liability company	25,000 shares of US\$25,000	100%	100%	100%	100%	100%	After-sales support
Pantene Industrial (Philippines), Inc.	Philippines/04/09/1996/ Limited liability company	75,000 shares of 7,500,000 Peso	85%	85%	85%	85%	N/A	Inactive

The Company and its subsidiaries have adopted 30 September as their financial year end date for the purpose of the consolidated financial statements, except for Shenzhen Pantai Electronic Co., Ltd., which has adopted 31 December as its financial year end date for the preparation of statutory financial statements in accordance with the relevant rules in the PRC.

No statutory audited financial statements have been prepared for the Company, Panjet (Int'l) Limited, Pantronics (Int'l) Limited and Pantene Electronics North America, Inc. since their respective dates of incorporation as they have either not carried out any business or there are no statutory audit requirements under their jurisdiction of incorporation.

The statutory financial statements of Pantene Industrial Co. Limited, Pantronics International Holdings Limited, Pin Xin International Limited, Pan Electrium Industrial Company Limited and Panjet Service Company Limited for each of the three years ended 30 September 2013, 2014 and 2015 and the statutory financial statements of Grace Harvest Corporation Limited for the period from 8 July 2014 (date of incorporation) to 30 September 2015 were audited by us. These statutory financial statements were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The statutory financial statements of Shenzhen Pantai Electronic Co., Ltd. for each of the three years ended 31 December 2013, 2014 and 2015 were audited by 深圳永信瑞和會計師事務所 Shenzhen Yongxin Ruihe Certified Public Accountant, a firm of certified public accountants registered in the PRC, in accordance with the relevant accounting principles and financial regulations applicable to enterprise establishment in the PRC.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements"), in accordance with HKFRSs issued by the HKICPA. The Financial Information set out in this report has been prepared by the directors of the Company based on the Underlying Financial Statements with no adjustments made thereon.

### **Respective responsibilities of directors and reporting accountant**

The directors of the Company are responsible for the contents of the Prospectus including the preparation and true and fair presentation of the Financial Information in accordance with HKFRSs and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to express an independent opinion on the Financial Information and to report our opinion to you. For the purpose of this report, we have carried out audit procedures on the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. We have examined the Financial Information in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA and have carried out such additional procedures on the Financial Information as we considered necessary.

**Opinion in respect of the Financial Information**

In our opinion, the Financial Information gives, for the purpose of this report prepared in accordance with HKFRSs, a true and fair view of the financial position of the Group and of the Company as at 30 September 2013, 2014 and 2015 and 31 May 2016 and of the financial performance and cash flows of the Group for the Relevant Periods.

**Comparative Financial Information**

For the purpose of this report, we have also reviewed the unaudited financial information of the Group including the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the eight months ended 31 May 2015, together with the notes thereto (the “Comparative Financial Information”), in accordance with the Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Comparative Financial Information in accordance with HKFRSs and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules.

Our responsibility is to express a conclusion on the Comparative Financial Information based on our review. 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 HKSAAs 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 on the Comparative Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

## I. FINANCIAL INFORMATION

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 30 September			Eight months ended 31 May	
		2013	2014	2015	2015	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					<i>(Unaudited)</i>	
<b>Revenue</b>	6	325,244	334,496	327,634	216,736	179,319
Cost of sales		<u>(268,660)</u>	<u>(272,806)</u>	<u>(259,566)</u>	<u>(177,061)</u>	<u>(138,759)</u>
<b>Gross profit</b>		56,584	61,690	68,068	39,675	40,560
Other income	7	1,221	6,991	3,748	2,833	1,505
Interest income	8	453	1,916	2,720	1,944	53
Selling and distribution expenses		(8,821)	(9,722)	(8,986)	(5,983)	(4,847)
Administrative expenses		(21,048)	(22,820)	(21,598)	(13,683)	(13,822)
Restructuring (costs)/credit	9	(541)	—	300	—	—
Finance costs	10	(448)	(644)	(1,065)	(692)	(867)
Listing expenses		—	—	—	—	(11,967)
Realised exchange differences on the liquidation of a subsidiary recycled from other comprehensive income		<u>1,186</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Profit before income tax</b>	11	28,586	37,411	43,187	24,094	10,615
<b>Income tax expense</b>	13	<u>(5,345)</u>	<u>(7,217)</u>	<u>(9,979)</u>	<u>(5,835)</u>	<u>(5,020)</u>
<b>Profit for the year/period attributable to owners of the Company</b>		<u>23,241</u>	<u>30,194</u>	<u>33,208</u>	<u>18,259</u>	<u>5,595</u>

## CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

	Year ended 30 September			Eight months ended 31 May	
	2013	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
<b>Profit for the year/period</b>	23,241	30,194	33,208	18,259	5,595
<b>Other comprehensive income</b>					
<b>Items that may be reclassified subsequently to profit or loss:</b>					
Exchange differences arising on the translation of financial statements of foreign operations	1,741	(246)	(2,459)	(236)	(1,311)
Realised exchange differences on the liquidation of a subsidiary recycled to profit or loss	<u>(1,186)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Other comprehensive income for the year/period, net of tax</b>	<u>555</u>	<u>(246)</u>	<u>(2,459)</u>	<u>(236)</u>	<u>(1,311)</u>
<b>Total comprehensive income for the year/period attributable to owners of the Company</b>	<u>23,796</u>	<u>29,948</u>	<u>30,749</u>	<u>18,023</u>	<u>4,284</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 September			As at
		2013	2014	2015	31 May
		HK\$'000	HK\$'000	HK\$'000	2016
					HK\$'000
<b>ASSETS AND LIABILITIES</b>					
<b>Non-current assets</b>					
Property, plant and equipment	17	20,610	18,984	18,884	17,241
Prepaid land lease payments under operating leases	18	<u>459</u>	<u>442</u>	<u>389</u>	<u>366</u>
		<u>21,069</u>	<u>19,426</u>	<u>19,273</u>	<u>17,607</u>
<b>Current assets</b>					
Inventories	19	28,257	36,276	22,395	27,380
Trade and other receivables	20	64,242	65,710	69,874	56,699
Shareholder loan	21	—	31,465	—	—
Amounts due from fellow subsidiaries	22	1,844	1,844	127	85
Loan to the immediate holding company	23	—	44,445	—	—
Amount due from the former ultimate holding company	22	99,006	—	—	—
Cash and bank balances	24	<u>64,151</u>	<u>40,395</u>	<u>67,264</u>	<u>50,947</u>
		<u>257,500</u>	<u>220,135</u>	<u>159,660</u>	<u>135,111</u>
<b>Current liabilities</b>					
Trade and other payables	25	44,222	50,096	44,153	50,995
Bank borrowings	26	18,288	40,439	43,891	34,922
Dividend payable	15	—	—	—	30,000
Amounts due to fellow subsidiaries	22	5,689	4,852	—	—
Amount due to the immediate holding company	22	—	13,422	—	1
Amount due to the former ultimate holding company	22	112,373	—	—	—
Provisions	27	300	300	—	—
Tax payable		<u>5,270</u>	<u>8,077</u>	<u>12,314</u>	<u>12,242</u>
		<u>186,142</u>	<u>117,186</u>	<u>100,358</u>	<u>128,160</u>
<b>Net current assets</b>		<u>71,358</u>	<u>102,949</u>	<u>59,302</u>	<u>6,951</u>
<b>Total assets less current liabilities</b>		<u>92,427</u>	<u>122,375</u>	<u>78,575</u>	<u>24,558</u>

		As at 30 September			As at
	Notes	2013	2014	2015	31 May
		HK\$'000	HK\$'000	HK\$'000	2016
					HK\$'000
<b>Non-current liabilities</b>					
Deferred tax liabilities	29	<u>—</u>	<u>—</u>	<u>900</u>	<u>1,100</u>
<b>Net assets</b>		<u>92,427</u>	<u>122,375</u>	<u>77,675</u>	<u>23,458</u>
<b>EQUITY</b>					
Share capital	30	1	1	1	—
Reserves	31	<u>92,426</u>	<u>122,374</u>	<u>77,674</u>	<u>23,458</u>
<b>Total equity</b>		<u>92,427</u>	<u>122,375</u>	<u>77,675</u>	<u>23,458</u>

## COMPANY STATEMENTS OF FINANCIAL POSITION

		As at 30 September			As at
	Notes	2013	2014	2015	31 May
		HK\$'000	HK\$'000	HK\$'000	2016
					HK\$'000
<b>ASSETS AND LIABILITIES</b>					
<b>Non-current assets</b>					
Investments in subsidiaries	37	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>
<b>Current assets</b>					
Prepayments and other receivables	20	626	—	100	3,360
Amounts due from subsidiaries	37	—	118,413	112,463	112,500
Amount due from the former ultimate holding company	22	99,006	—	—	—
Cash and bank balances	24	<u>125</u>	<u>741</u>	<u>636</u>	<u>2,166</u>
		<u>99,757</u>	<u>119,154</u>	<u>113,199</u>	<u>118,026</u>
<b>Current liabilities</b>					
Other payables	25	—	45	49	4,439
Dividend payable	15	—	—	—	30,000
Amount due to a subsidiary	37	—	—	7,422	40,422
Amount due to the immediate holding company	22	—	13,422	—	1
Tax payable		<u>—</u>	<u>990</u>	<u>990</u>	<u>990</u>
		<u>—</u>	<u>14,457</u>	<u>8,461</u>	<u>75,852</u>
<b>Net current assets</b>		<u>99,757</u>	<u>104,697</u>	<u>104,738</u>	<u>42,174</u>
<b>Total assets less current liabilities</b>		<u>99,768</u>	<u>104,708</u>	<u>104,749</u>	<u>42,185</u>
<b>Net assets</b>		<u>99,768</u>	<u>104,708</u>	<u>104,749</u>	<u>42,185</u>
<b>EQUITY</b>					
Share capital	30	1	1	1	—
Reserves	31	<u>99,767</u>	<u>104,707</u>	<u>104,748</u>	<u>42,185</u>
<b>Total equity</b>		<u>99,768</u>	<u>104,708</u>	<u>104,749</u>	<u>42,185</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital HK\$'000	Other reserve* HK\$'000	Statutory reserve* HK\$'000	Translation reserve* HK\$'000	Retained profits* HK\$'000	Total HK\$'000
<b>At 1 October 2012</b>	1	—	1,744	(3,133)	83,159	81,771
Waiver of amount due from the former ultimate holding company (note 36)	—	(5,640)	—	—	—	(5,640)
Dividends paid (note 15)	—	—	—	—	(7,500)	(7,500)
Transactions with owners	—	(5,640)	—	—	(7,500)	(13,140)
Profit for the year	—	—	—	—	23,241	23,241
<b>Other comprehensive income</b>						
Exchange differences arising on the translation of financial statements of foreign operations	—	—	—	1,741	—	1,741
Realised exchange differences on the liquidation of a subsidiary recycled to profit or loss	—	—	—	(1,186)	—	(1,186)
<b>Total comprehensive income for the year</b>	—	—	—	555	23,241	23,796
Appropriation of statutory reserve	—	—	698	—	(698)	—
<b>At 30 September 2013</b>	1	(5,640)	2,442	(2,578)	98,202	92,427
<b>At 30 September 2013 and 1 October 2013</b>	1	(5,640)	2,442	(2,578)	98,202	92,427
Profit for the year	—	—	—	—	30,194	30,194
<b>Other comprehensive income</b>						
Exchange differences arising on the translation of financial statements of foreign operations	—	—	—	(246)	—	(246)
<b>Total comprehensive income for the year</b>	—	—	—	(246)	30,194	29,948
Appropriation of statutory reserve	—	—	744	—	(744)	—
<b>At 30 September 2014</b>	1	(5,640)	3,186	(2,824)	127,652	122,375

**APPENDIX I**
**ACCOUNTANT'S REPORT**

	Share capital <i>HK\$'000</i>	Other reserve* <i>HK\$'000</i>	Statutory reserve* <i>HK\$'000</i>	Translation reserve* <i>HK\$'000</i>	Retained profits* <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 30 September 2014 and 1 October 2014</b>	1	(5,640)	3,186	(2,824)	127,652	122,375
Waiver of amounts payable to a fellow subsidiary (note 22)	—	4,911	—	—	—	4,911
Waiver of amounts receivable from a fellow subsidiary (note 22)	—	(1,766)	—	—	—	(1,766)
Dividends paid (note 15)	—	—	—	—	(78,594)	(78,594)
Transactions with owners	—	3,145	—	—	(78,594)	(75,449)
Profit for the year	—	—	—	—	33,208	33,208
<b>Other comprehensive income</b>						
Exchange differences arising on the translation of financial statements of foreign operations	—	—	—	(2,459)	—	(2,459)
<b>Total comprehensive income for the year</b>	—	—	—	(2,459)	33,208	30,749
Appropriation of statutory reserve	—	—	764	—	(764)	—
<b>At 30 September 2015</b>	<u>1</u>	<u>(2,495)</u>	<u>3,950</u>	<u>(5,283)</u>	<u>81,502</u>	<u>77,675</u>
<b>At 1 October 2015</b>	1	(2,495)	3,950	(5,283)	81,502	77,675
Dividends paid (note 15)	—	—	—	—	(28,500)	(28,500)
Dividend approved and declared (note 15)	—	—	—	—	(30,000)	(30,000)
Repurchase of shares (note 30(ii))	(1)	—	—	—	—	(1)
Transactions with owners	(1)	—	—	—	(58,500)	(58,501)
Profit for the period	—	—	—	—	5,595	5,595
<b>Other comprehensive income</b>						
Exchange differences arising on the translation of financial statements of foreign operations	—	—	—	(1,311)	—	(1,311)
<b>Total comprehensive income for the period</b>	—	—	—	(1,311)	5,595	4,284
Appropriation of statutory reserve	—	—	808	—	(808)	—
<b>At 31 May 2016</b>	<u>—</u>	<u>(2,495)</u>	<u>4,758</u>	<u>(6,594)</u>	<u>27,789</u>	<u>23,458</u>

**APPENDIX I**
**ACCOUNTANT'S REPORT**

	Share capital <i>HK\$'000</i>	Other reserve* <i>HK\$'000</i>	Statutory reserve* <i>HK\$'000</i>	Translation reserve* <i>HK\$'000</i>	Retained profits* <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 1 October 2014</b>	1	(5,640)	3,186	(2,824)	127,652	122,375
Dividends paid (note 15)	—	—	—	—	(20,000)	(20,000)
Transactions with owners	—	—	—	—	(20,000)	(20,000)
Profit for the period	—	—	—	—	18,259	18,259
<b>Other comprehensive income</b>						
Exchange differences arising on the translation of financial statements of foreign operations	—	—	—	(236)	—	(236)
<b>Total comprehensive income for the period</b>	—	—	—	(236)	18,259	18,023
Appropriation of statutory reserve	—	—	764	—	(764)	—
<b>At 31 May 2015 (unaudited)</b>	<u>1</u>	<u>(5,640)</u>	<u>3,950</u>	<u>(3,060)</u>	<u>125,147</u>	<u>120,398</u>

\* The total of reserves as at 30 September 2013, 2014 and 2015 and 31 May 2016 is HK\$92,426,000, HK\$122,374,000, HK\$77,674,000 and HK\$23,458,000, respectively.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 30 September			Eight months ended 31 May		
	Notes	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000	2016 HK\$'000
						(Unaudited)
<b>Cash flows from operating activities</b>						
Profit before income tax		28,586	37,411	43,187	24,094	10,615
Adjustments for:						
Amortisation of prepaid land lease payments under operating leases		35	17	53	36	23
Depreciation of property, plant and equipment		2,199	2,124	1,972	1,297	1,491
Gain on disposal of available-for-sale financial assets		(13)	—	—	—	—
Impairment loss/(reversal of impairment loss) on inventories		1,897	828	(828)	1,314	(252)
Interest expenses on bank borrowings and bank overdrafts		448	644	1,065	692	867
Interest income		(453)	(1,916)	(2,720)	(1,944)	(53)
Realised exchange differences on the liquidation of a subsidiary recycled to profit or loss		(1,186)	—	—	—	—
Restructuring costs/(credit)		541	—	(300)	—	—
(Reversal of impairment loss)/impairment loss on trade receivables		(1,009)	(3)	23	—	(762)

**APPENDIX I**
**ACCOUNTANT'S REPORT**

	<i>Notes</i>	<b>Year ended 30 September</b>			<b>Eight months ended 31 May</b>	
		<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2015</b>	<b>2016</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
					<i>(Unaudited)</i>	
Operating profit before working capital changes		31,045	39,105	42,452	25,489	11,929
Decrease/(increase) in inventories		76	(8,847)	14,709	9,182	(4,733)
Decrease/(increase) in trade and other receivables		9,624	(1,465)	(4,336)	1,207	14,079
(Decrease)/increase in trade and other payables		(7,309)	5,079	(5,843)	(5,480)	6,742
Decrease in amount due to the immediate holding company		—	—	(13,422)	(3,232)	—
Restructuring costs utilised		(241)	—	—	—	—
<i>Cash generated from operations</i>		33,195	33,872	33,560	27,166	28,017
Income tax paid		(3,697)	(4,410)	(4,842)	(3,846)	(4,892)
<i>Net cash generated from operating activities</i>		29,498	29,462	28,718	23,320	23,125
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment		(1,958)	(565)	(2,336)	(939)	(434)
Interest received on bank deposits and balances		—	794	213	115	53
Interest received on loan to the former ultimate holding company		453	—	—	—	—
Release of pledged bank deposits		5,000	—	—	—	—
Advance of loan to the immediate holding company		—	(43,788)	—	—	—
Repayment of loan from the immediate holding company		—	—	43,788	—	—
Interest received on loan to the immediate holding company		—	—	2,627	—	—
Shareholder loan		—	(31,000)	—	(3,600)	—
Repayment of shareholder loan		—	—	31,000	20,000	—
Interest received on shareholder loan		—	—	1,002	—	—
Proceeds from disposal of available-for-sale financial assets		6,103	—	—	—	—

	Notes	Year ended 30 September			Eight months ended 31 May	
		2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000	2016 HK\$'000
Net change in amount due from the former ultimate holding company		(5,640)	—	—	—	—
<i>Net cash generated from/(used in) investing activities</i>		<u>3,958</u>	<u>(74,559)</u>	<u>76,294</u>	<u>15,576</u>	<u>(381)</u>
<b>Cash flows from financing activities</b>						
Net cash inflow/(outflow) in trust receipts and export loans		459	950	(5,377)	(3,594)	(4,165)
Increase/(decrease) in invoice discounting facility		—	25,232	8,829	(1,925)	(4,804)
Interest paid on bank borrowings and bank overdrafts		(448)	(644)	(1,065)	(692)	(867)
Dividends paid		<u>(7,500)</u>	—	<u>(78,594)</u>	<u>(20,000)</u>	<u>(28,500)</u>
<i>Net cash (used in)/generated from financing activities</i>		<u>(7,489)</u>	<u>25,538</u>	<u>(76,207)</u>	<u>(26,211)</u>	<u>(38,336)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	32	25,967	(19,559)	28,805	12,685	(15,592)
<b>Effect of foreign exchange rate changes</b>		1,214	(166)	(1,936)	(331)	(725)
<b>Cash and cash equivalents at beginning of the year/period</b>		<u>32,939</u>	<u>60,120</u>	<u>40,395</u>	<u>40,395</u>	<u>67,264</u>
<b>Cash and cash equivalents at end of the year/period</b>		<u><u>60,120</u></u>	<u><u>40,395</u></u>	<u><u>67,264</u></u>	<u><u>52,749</u></u>	<u><u>50,947</u></u>
<b>Analysis of the balance of cash and cash equivalents</b>						
Cash and bank balances	24	64,151	40,395	67,264	52,749	50,947
Bank overdrafts	26	<u>(4,031)</u>	—	—	—	—
		<u><u>60,120</u></u>	<u><u>40,395</u></u>	<u><u>67,264</u></u>	<u><u>52,749</u></u>	<u><u>50,947</u></u>

**II. NOTES TO THE FINANCIAL INFORMATION****1. GENERAL INFORMATION**

Pantronics Holdings Limited (the “Company”, “PHL”) was incorporated in the BVI as a limited liability company on 27 December 1990. The address of the Company’s registered office is Newhaven Corporate Services (BVI) Limited, 3rd Floor, J&C Building, P.O. Box 362, Road Town, Tortola, the BVI and its principal place of business is Flat/RM 1603A, 16/F, Tower 2, Nina Tower, Yeung Uk Road, Tsuen Wan, Hong Kong.

Up and until 30 May 2014, the parent undertaking of the Company was United Pacific Industries Limited (“UPI”) (stock code: 0176), a company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

On 30 May 2014, UPI (stock code: 0176) completed a sale and purchase agreement with SNH Global Holdings Limited (“SNHGH”), an investment holding company incorporated in the BVI with limited liability, whereby UPI (stock code: 0176) sold its entire equity interest in PHL to New Wave Capital Limited (“NWC”), a subsidiary of SNHGH. NWC is an investment holding company incorporated in the BVI with limited liability and became the immediate holding company of the Company. The directors of the Company consider the ultimate holding company to be SNHGH thereafter.

The Company is an investment holding company. Its subsidiaries are principally engaged in the contract manufacturing, on EMS basis, of a wide range of power-related and electrical/electronic products.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of preparation**

The Financial Information set out in this report has been prepared in accordance with HKFRSs which collective term includes Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The Financial Information has been prepared under the historical cost basis except for certain financial assets which are stated at their fair value.

The Financial Information is presented in Hong Kong Dollars (“HK\$”) which is also the functional currency of the Company. All values are round to nearest thousands except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates and assumptions are based on management’s best

knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 4.

**(b) Basis of consolidation**

The Financial Information comprises the financial statements of the Company and its subsidiaries (together referred to as the “Group”) for the Relevant Periods. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Changes in the Group’s interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group’s interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of a non-controlling interest is the amount of that interest at initial recognition plus the non-controlling interest’s share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

**(c) Subsidiaries**

A subsidiary is an investee over which the Group is able to exercise control. The Group controls an investee if all three of the following elements are present: power over the investee; exposure, or rights, to variable returns from the investee; and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statements of financial position, investments in subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of the reporting period.

**(d) Revenue recognition**

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably, on the following bases:

- (i) Sales of goods are recognised when goods are delivered and title has been passed. This is usually taken as the time when the goods are delivered and the customer has accepted the goods.
- (ii) Interest income from a financial asset is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount.

**(e) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment net of expected residual value over their estimated useful lives, using the straight-line method, at the following rates per annum:

Land and buildings	Over the remaining unexpired lease term or 50 years, whichever is the shorter
Furniture, fixtures and equipment	10%-25%
Motor vehicles	20%-25%
Plant and machinery	10%-33 1/3%

The estimated useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

For owner-occupied leasehold land and buildings, where the allocation between the land and building elements cannot be made reliably, the leasehold interests in land are accounted for as property, plant and equipment and measured using the cost model, as appropriate.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

(f) **Financial instruments**

Financial assets and financial liabilities are recognised on the statement of financial position when a Group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

*Financial assets*

The Group's financial assets are classified into loans and receivables and available-for-sale financial assets. The Group assesses, at the end of each reporting period, whether there is any objective evidence that the financial asset is impaired. A financial asset is classed as impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include, but not be limited to: significant financial difficulty of the debtor; a breach of contract, such as a default or delinquency in interest or principal payments; the granting of a concession to a debtor due to financial difficulties; and it becoming probable that the debtor will enter bankruptcy or any other financial reorganisation.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each reporting date subsequent to initial recognition, loans and receivables (including trade and other receivables, shareholder loan, amounts due from subsidiaries, fellow subsidiaries and the former ultimate holding company, loan to the immediate holding company and cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;  
and

- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss for receivables is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account. When any part of the financial asset is determined as un-collectible, it is written off against the allowance account for the relevant financial asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each reporting date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in other comprehensive income, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss. Any impairment loss on available-for-sale financial assets is recognised in profit or loss. For available-for-sale equity investments, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

For available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

#### *Financial liabilities and equity*

Financial liabilities and equity instruments issued by a Group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

*Bank borrowings*

Interest-bearing bank loans and overdrafts are initially recognised at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowings costs.

*Other financial liabilities*

Other financial liabilities including trade and other payables and amounts due to a subsidiary, fellow subsidiaries, the immediate holding company and the former ultimate holding company are subsequently measured at amortised cost, using the effective interest method.

*Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

*Financial guarantee contracts*

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount, i.e. the amount initially recognised less accumulated amortisation, where appropriate.

*Derecognition*

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**(g) Borrowing costs**

Borrowing costs attributable directly to the acquisition, construction or production of assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**(h) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents 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.

**(i) Cash and cash equivalents**

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash in hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash in hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

**(j) Provisions and contingent liabilities**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle that obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

*Restructuring*

A restructuring provision is recognised when the Group has developed a detailed formal plan for restructuring and has raised a valid expectation that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group.

**(k) Impairment of assets**

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflect current market assessment of time value of money and the risk specific to the asset. An impairment loss is recognised as an expense immediately.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

**(l) Taxation**

Taxation represents the sum of the tax paid or currently payable and deferred tax. The tax currently paid and payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated statements of profit or loss because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised

to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

**(m) Foreign currencies**

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) at the rate of exchange prevailing at that date, and their income and expenses are translated at the average monthly exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of other comprehensive income (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

**(n) Leases**

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

*Prepaid land lease payments under operating leases*

Leasehold interests in land are up-front payments to acquire the land use rights. The payments are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis to write off the up-front payments over the lease terms.

*The Group as lessee*

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

**(o) Retirement benefits costs**

Payments to the defined contribution retirement plans are charged as expenses when employees have rendered service entitling them to contributions.

The Group operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme"), for employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

(p) **Related parties**

For the purposes of this Financial Information:

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

### 3. APPLICATION OF HKFRSs

- (a) For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has, throughout the Relevant Periods, consistently adopted HKFRSs issued by the HKICPA, which are effective for periods beginning on 1 October 2015.
- (b) The following new or revised HKFRSs, potentially relevant to the Group's Financial Information, have been issued, but are not yet effective and have not been early adopted by the Group in the preparation of the Financial Information.

Amendments to HKAS 1	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>2</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>2</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>1</sup>
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue From Contracts with Customers <sup>3</sup>
HKFRS 9 (2014)	Financial Instruments <sup>3</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
HKFRS 16	Leases <sup>4</sup>
HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2019

#### *Amendments to HKAS 1 - Disclosure Initiative*

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

#### *Amendments to HKAS 27 - Equity Method in Separate Financial Statements*

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

#### *HKFRS 9 (2014) - Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flow (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is

both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

#### *Amendments to HKFRS 15 - Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specially, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added to HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

***HKFRS 16 — Leases***

HKFRS 16 supersedes HKAS 17 “Leases”, HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease”, HK(SIC)-Int 15 “Operating Lease-Incentives” and HK(SIC)-Int 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17 “Leases”. Under HKFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities.

There are some exemptions. HKFRS 16 contains options which do not require a lessee to recognise assets and liabilities for (a) short term leases (i.e. lease of 12 months or less, including the effect of any extension options) and (b) leases of low value assets (for example, a lease of a personal computer).

HKFRS 16 substantially carries forward the lessor’s accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows: (a) if the head lease is a short-term lease that the entity, as a lessee, the sublease shall be reclassified as an operating lease; (b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components.

The Group is in the process of making an assessment of the potential impact of these new pronouncements. The directors so far concluded that the application of these new pronouncements is unlikely to have a significant impact on the Group’s results and financial position upon application.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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 discussed below:

*Inventories*

Inventories are measured at the lower of cost and net realisable value. The management of the Group reviews the carrying amount of the inventory at the end of each reporting period, and makes allowance for any inventory items identified to be carried at a recoverable value that is lower than cost through estimation of the expected selling prices under current market conditions.

*Impairment of receivables*

The policy for the impairment of receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

*Estimates of current tax and deferred tax*

The Group is required to recognise a provision for income taxes based upon the taxable income and temporary differences for each of the tax jurisdictions in which it operates and for all discrete reportable income streams within those jurisdictions. Significant judgement is required in determining the amount of the taxation provision and the timing of the payment thereon. 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 tax provisions in the period in which such determination is made.

**5. SEGMENT INFORMATION**

The Group has determined its operating segments and prepared segmental information based on regular internal financial information reported to the chief operating decision-makers, i.e. the executive directors of the Company, who are responsible for making strategic decisions. Since management regards the Group's business as a single operating segment, no further operating segment analysis thereof is presented. The executive directors review the Group's internal reporting in order to assess performance and allocate resources and have determined the operating segments based on these reports. Management assesses the performance of this single segment based on a measure of revenue and operating result before income tax.

A measure of total assets for this single segment is the total assets on the consolidated statements of financial position. A measure of total liabilities for this single segment is the total liabilities on the consolidated statements of financial position.

**Geographical information**

The Group's operations are mainly located in Mainland China, Hong Kong, the United Kingdom (the "UK") and the United States of America (the "USA"). The following provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods:

	Year ended 30 September			Eight months ended 31 May	
	2013	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(Unaudited)</i>				
The People's Republic of China (the "PRC")					
- Mainland China	30,594	33,453	31,384	16,554	11,168
- Hong Kong (place of domicile)	7,219	9,267	4,514	2,384	1,698
USA	149,997	181,402	185,719	117,084	95,153
UK	27,529	29,811	29,736	21,829	19,784
Rest of Europe	47,714	37,055	33,987	24,389	18,613
Japan	30,948	26,270	26,185	17,750	18,068
Others	31,243	17,238	16,109	16,746	14,835
	<u>325,244</u>	<u>334,496</u>	<u>327,634</u>	<u>216,736</u>	<u>179,319</u>

The revenue information above is based on the location of the customers.

"Others" above, represents sales to various countries which, individually represent less than 10% of the total revenue of the Group.

Revenue from major customers, each of them accounting for 10% or more of the Group's revenue for the Relevant Periods, is set out below:

	Year ended 30 September			Eight months ended 31 May	
	2013	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>(Unaudited)</i>				
Customer A	97,376	122,465	123,714	82,859	55,731
Customer B	55,797	58,342	53,038	37,787	30,705
Customer C	—	—	—	—	18,462
Customer D	—	—	—	—	18,320
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>18,320</u>

The following is an analysis of the carrying amount of non-current assets analysed by the geographical areas in which the assets are located:

	As at 30 September			As at
	2013	2014	2015	31 May
	HK\$'000	HK\$'000	HK\$'000	2016 HK\$'000
Hong Kong	1,620	1,472	1,346	1,238
Mainland China	19,446	17,952	17,918	16,362
Others	3	2	9	7
	<u>21,069</u>	<u>19,426</u>	<u>19,273</u>	<u>17,607</u>

## 6. REVENUE

Revenue, which is also the Group's turnover, represents the total invoiced value of goods supplied less discounts and returns.

## 7. OTHER INCOME

	Year ended 30 September			Eight months	
	2013	2014	2015	ended 31 May	2016
	HK\$'000	HK\$'000	HK\$'000	2015 HK\$'000	2016 HK\$'000
Management fee refund from the former ultimate holding company (note 36(a))	—	3,577	—	—	—
Sundry income	1,208	3,414	3,748	2,833	1,505
Gain on disposal of available-for-sale financial assets	13	—	—	—	—
	<u>1,221</u>	<u>6,991</u>	<u>3,748</u>	<u>2,833</u>	<u>1,505</u>

*(Unaudited)*

## 8. INTEREST INCOME

	Year ended 30 September			Eight months ended 31 May	
	2013	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Interest earned on bank deposits and balances	—	794	213	115	53
Interest earned on loan to the immediate holding company	—	657	1,970	1,313	—
Interest earned on loan to the former ultimate holding company	453	—	—	—	—
Interest earned on shareholder loan	—	465	537	516	—
	<u>453</u>	<u>1,916</u>	<u>2,720</u>	<u>1,944</u>	<u>53</u>

## 9. RESTRUCTURING (COSTS)/CREDIT

	Year ended 30 September			Eight months ended 31 May	
	2013	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Restructuring (costs)/credit (note 27)	<u>(541)</u>	<u>—</u>	<u>300</u>	<u>—</u>	<u>—</u>

The restructuring costs related to retrenchment and relocation costs of certain sourcing operations in Mainland China which, in the opinion of the Company's directors, were no longer required and were reversed in the year ended 30 September 2015.

## 10. FINANCE COSTS

	Year ended 30 September			Eight months ended 31 May	
	2013	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Interest on bank borrowings and bank overdrafts	<u>448</u>	<u>644</u>	<u>1,065</u>	<u>692</u>	<u>867</u>

**11. PROFIT BEFORE INCOME TAX**

	Year ended 30 September			Eight months ended 31 May	
	2013	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit before income tax is arrived at after charging/(crediting):					
Amortisation of prepaid land lease payments under operating leases	35	17	53	36	23
Auditors' remuneration	836	358	412	248	275
Cost of inventories recognised as expenses	268,660	272,806	259,566	177,061	138,759
Depreciation of property, plant and equipment	2,199	2,124	1,972	1,297	1,491
Exchange losses/(gains), net	1,484	609	(527)	815	999
Impairment loss/(reversal of impairment loss) on inventories	1,897	828	(828)	1,314	(252)
Minimum lease payments in respect of rented premises	2,033	2,624	3,785	2,545	2,837
(Reversal of impairment loss)/impairment loss on trade receivables	(1,009)	(3)	23	—	(762)
Employee benefit expenses (note 12)	59,934	66,469	66,112	43,505	41,194

**12. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' REMUNERATION)**

	Year ended 30 September			Eight months ended 31 May	
	2013	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff salaries, allowances and welfare	25,285	25,637	25,691	16,472	16,496
Provident fund contributions (note 28)	3,621	4,504	3,859	3,181	3,115
Mandatory provident fund obligations (note 28)	387	367	395	266	263
Direct labour costs	30,641	35,961	36,167	23,586	21,320
	59,934	66,469	66,112	43,505	41,194



- (b) The reconciliation between income tax expense and accounting profit at applicable tax rates is as follows:

	Year ended 30 September			Eight months ended 31 May	
	2013	2014	2015	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
<b>Profit before income tax</b>	<u>28,586</u>	<u>37,411</u>	<u>43,187</u>	<u>24,094</u>	<u>10,615</u>
Tax thereon at domestic rates applicable to profits or losses in the jurisdictions concerned	6,755	7,800	8,687	4,742	2,694
Tax effect of non-deductible expenses	3,822	176	11	405	2,077
Tax effect of non-taxable income	(2,667)	(677)	(167)	(46)	—
Utilisation of tax losses not previously recognised	(2,235)	—	(2)	—	—
Withholding tax on dividends	—	—	547	—	—
Tax effect of temporary differences arising from withholding tax on undistributed profits	—	—	900	700	200
Others	<u>(330)</u>	<u>(82)</u>	<u>3</u>	<u>34</u>	<u>49</u>
<b>Income tax expense</b>	<u>5,345</u>	<u>7,217</u>	<u>9,979</u>	<u>5,835</u>	<u>5,020</u>

- (c) The PRC corporate income tax is computed according to relevant laws and regulations in Mainland China. The income tax rate is 25% for each of the Relevant Periods.

During the year ended 30 September 2015, dividends attributable to post 1 January 2008 earnings have been remitted to Pantene Industrial Co. Limited ("Pantene Industrial") from its wholly-owned PRC-based subsidiary, Shenzhen Pantai Electronic Co., Ltd. ("Shenzhen Pantai"). The transaction has given rise to withholding tax of HK\$547,000, based on 5% of the earnings remitted.

- (d) The Company has decided that, as it is probable that Shenzhen Pantai will continue to distribute earnings in the foreseeable future, a deferred tax provision of HK\$900,000, HK\$700,000 and HK\$200,000 have been established in relation to withholding tax based on 5% of post 1 January 2008 unremitted earnings for the year ended 30 September 2015 and the eight months ended 31 May 2015 and 2016 respectively.

## 14. DIRECTORS' EMOLUMENTS AND SENIOR MANAGEMENT'S EMOLUMENTS

## (a) Directors' emoluments

The emoluments of each of the directors for each of the Relevant Periods are set out below:

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Retirement benefits scheme contribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended</b>					
<b>30 September 2013</b>					
<i>Executive Directors</i>					
Mr. Henry W Lim	—	—	—	—	—
Mr. Patrick John Dyson	—	—	—	—	—
Total	—	—	—	—	—

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Retirement benefits scheme contribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended</b>					
<b>30 September 2014</b>					
<i>Executive Directors</i>					
Mr. Henry W Lim	—	—	—	—	—
Mr. Patrick John Dyson	—	—	—	—	—
Total	—	—	—	—	—

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Retirement benefits scheme contribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Year ended</b>					
<b>30 September 2015</b>					
<i>Executive Directors</i>					
Mr. Simon N Hsu (appointed on 16 January 2015)	—	—	—	—	—
Mr. Henry W Lim	—	—	—	—	—
Mr. Patrick John Dyson (resigned on 16 January 2015)	—	—	—	—	—
Total	—	—	—	—	—

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Retirement benefits scheme contribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Eight months ended</b>					
<b>31 May 2015</b>					
<b>(Unaudited)</b>					
<i>Executive Directors</i>					
Mr. Simon N Hsu (appointed on 16 January 2015)	—	—	—	—	—
Mr. Henry W Lim	—	—	—	—	—
Mr. Patrick John Dyson (resigned on 16 January 2015)	—	—	—	—	—
Total	—	—	—	—	—

	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Discretionary bonuses <i>HK\$'000</i>	Retirement benefits scheme contribution <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Eight months ended</b>					
<b>31 May 2016</b>					
<i>Executive Directors</i>					
Mr. Simon N Hsu	—	—	—	—	—
Mr. Henry W Lim	—	—	—	—	—
Mr. Ho Hon Ching (appointed on 16 January 2016)	—	478	—	7	485
Total	—	478	—	7	485

During the Relevant Periods, none of the directors waived or agreed to waive any emoluments and there were no emoluments paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) **Five highest paid individuals**

The emoluments of five highest paid individuals in the Group for each of the Relevant Periods are as follows:

	Year ended 30 September			Eight months ended 31 May	
	2013	2014	2015	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and other benefits	5,064	5,839	6,088	3,300	3,423
Retirement benefit scheme contribution	75	80	90	60	60
	<u>5,139</u>	<u>5,919</u>	<u>6,178</u>	<u>3,360</u>	<u>3,483</u>

*(Unaudited)*

Their emoluments were within the following bands:

	Year ended 30 September			Eight months ended 31 May	
	2013	2014	2015	2015	2016
	<i>Number of individuals</i>				
Nil to HK\$1,000,000	3	1	1	5	5
HK\$1,000,001 to HK\$1,500,000	2	3	3	—	—
HK\$1,500,001 to HK\$2,000,000	<u>—</u>	<u>1</u>	<u>1</u>	<u>—</u>	<u>—</u>

During the Relevant Periods, none of the five highest paid individuals waived or agreed to waive any emoluments and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(c) **Senior management's emoluments**

Emoluments paid or payable to members of senior management who are not directors were within the following bands:

	Year ended 30 September			Eight months ended 31 May	
	2013	2014	2015	2015	2016
	<i>Number of individuals</i>				
Nil to HK\$1,000,000	3	1	1	5	5
HK\$1,000,001 to HK\$1,500,000	2	3	3	—	—
HK\$1,500,001 to HK\$2,000,000	<u>—</u>	<u>1</u>	<u>1</u>	<u>—</u>	<u>—</u>

**15. DIVIDENDS**

Dividends declared and paid during the Relevant Periods are as follows:

For the year ended 30 September 2013, an interim dividend of HK\$7,500,000 (HK\$37,500 per ordinary share) was paid to the former ultimate holding company, UPI (stock code: 0176). The dividend was distributed on 17 July 2013.

A first and final dividend of HK\$20,000,000 (HK\$100,000 per ordinary share) relating to the year ended 30 September 2014 was paid on 15 December 2014. This dividend was not recognised as a liability at 30 September 2014.

A first interim dividend in relation to the year ended 30 September 2015 of HK\$15,602,000 (HK\$78,010 per ordinary share) was paid on 18 June 2015.

A second interim dividend in relation to the year ended 30 September 2015 of HK\$6,000,000 (HK\$30,000 per ordinary share) was paid on 11 August 2015.

A third interim dividend in relation to the year ended 30 September 2015 of HK\$32,992,000 (HK\$164,968 per ordinary share) was paid in two tranches, one of HK\$20,000,000 on 23 September 2015 and the remaining HK\$12,992,000 on 29 September 2015.

A fourth interim dividend in relation to the year ended 30 September 2015 of HK\$4,000,000 (HK\$20,000 per ordinary share) was paid on 30 September 2015.

A final dividend of HK\$8,500,000 (HK\$42,500 per ordinary share) in relation to the year ended 30 September 2015 was declared. The dividend has been distributed to the Company's immediate parent undertaking, New Wave Capital Limited, as follows: HK\$1,500,000 on 6 October 2015; HK\$4,000,000 on 12 October 2015; and the balance of HK\$3,000,000 on 4 December 2015.

During the eight months ended 31 May 2016, the Company has declared an interim dividend in relation to the year ended 30 September 2016 of HK\$50,000,000 (HK\$250,000 per ordinary share), of which HK\$20,000,000 was paid on 16 December 2015, the remaining HK\$30,000,000 declared to be paid was later rescinded by the Board of Directors on 29 January 2016.

On 15 April 2016, the Company declared a second interim dividend in relation to the year ended 30 September 2016 of HK\$30,000,000 (HK\$150 per ordinary share) which is to be paid on 28 October 2016. This dividend has been recognised as a liability at 31 May 2016.

## **16. EARNINGS PER SHARE**

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

## 17. PROPERTY, PLANT AND EQUIPMENT

	<b>Land and buildings</b>	<b>Furniture, fixtures and equipment</b>	<b>Motor vehicles</b>	<b>Plant and machinery</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cost</b>					
At 1 October 2012	21,084	52,074	3,978	77,786	154,922
Additions	—	1,036	369	553	1,958
Disposals	—	—	(584)	—	(584)
Currency realignment	<u>868</u>	<u>566</u>	<u>61</u>	<u>2,015</u>	<u>3,510</u>
At 30 September 2013 and 1 October 2013	21,952	53,676	3,824	80,354	159,806
Additions	—	123	—	442	565
Disposals	—	(950)	—	—	(950)
Currency realignment	<u>(134)</u>	<u>(89)</u>	<u>(9)</u>	<u>(314)</u>	<u>(546)</u>
At 30 September 2014 and 1 October 2014	21,818	52,760	3,815	80,482	158,875
Additions	—	913	403	1,020	2,336
Disposals	—	(29)	—	(656)	(685)
Currency realignment	<u>(994)</u>	<u>(3,809)</u>	<u>(63)</u>	<u>1,523</u>	<u>(3,343)</u>
At 30 September 2015 and 1 October 2015	20,824	49,835	4,155	82,369	157,183
Additions	—	171	—	263	434
Currency realignment	<u>(675)</u>	<u>(717)</u>	<u>(80)</u>	<u>(2,532)</u>	<u>(4,004)</u>
At 31 May 2016	<u>20,149</u>	<u>49,289</u>	<u>4,075</u>	<u>80,100</u>	<u>153,613</u>
<b>Accumulated depreciation</b>					
At 1 October 2012	8,069	49,695	3,655	73,139	134,558
Provided for the year	424	359	123	1,293	2,199
Disposals	—	—	(584)	—	(584)
Currency realignment	<u>476</u>	<u>547</u>	<u>53</u>	<u>1,947</u>	<u>3,023</u>

	<b>Land and buildings</b>	<b>Furniture, fixtures and equipment</b>	<b>Motor vehicles</b>	<b>Plant and machinery</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 30 September 2013 and 1 October 2013	8,969	50,601	3,247	76,379	139,196
Provided for the year	420	458	163	1,083	2,124
Disposals	—	(950)	—	—	(950)
Currency realignment	<u>(75)</u>	<u>(102)</u>	<u>(6)</u>	<u>(296)</u>	<u>(479)</u>
At 30 September 2014 and 1 October 2014	9,314	50,007	3,404	77,166	139,891
Provided for the year	414	397	161	1,000	1,972
Disposals	—	(29)	—	(656)	(685)
Currency realignment	<u>(574)</u>	<u>(648)</u>	<u>(53)</u>	<u>(1,604)</u>	<u>(2,879)</u>
At 30 September 2015 and 1 October 2015	9,154	49,727	3,512	75,906	138,299
Provided for the period	433	35	156	867	1,491
Currency realignment	<u>(423)</u>	<u>(710)</u>	<u>(60)</u>	<u>(2,225)</u>	<u>(3,418)</u>
At 31 May 2016	<u>9,164</u>	<u>49,052</u>	<u>3,608</u>	<u>74,548</u>	<u>136,372</u>
<b>Carrying values</b>					
At 30 September 2013	<u>12,983</u>	<u>3,075</u>	<u>577</u>	<u>3,975</u>	<u>20,610</u>
At 30 September 2014	<u>12,504</u>	<u>2,753</u>	<u>411</u>	<u>3,316</u>	<u>18,984</u>
At 30 September 2015	<u>11,670</u>	<u>108</u>	<u>643</u>	<u>6,463</u>	<u>18,884</u>
At 31 May 2016	<u>10,985</u>	<u>237</u>	<u>467</u>	<u>5,552</u>	<u>17,241</u>

The Group's properties at their carrying amount are analysed as follows:

	As at 30 September			As at
	2013	2014	2015	31 May
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Properties held outside Hong Kong:				
Held under medium term leases	<u>12,983</u>	<u>12,504</u>	<u>11,670</u>	<u>10,985</u>

#### 18. PREPAID LAND LEASE PAYMENTS UNDER OPERATING LEASES

The Group's interest in leasehold land and land use rights represents prepaid operating lease payments. The movements in their net carrying values are as follows:

	As at 30 September			As at
	2013	2014	2015	31 May
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
At 1 October	494	459	442	389
Amortisation	<u>(35)</u>	<u>(17)</u>	<u>(53)</u>	<u>(23)</u>
<b>At 30 September/31 May</b>	<u>459</u>	<u>442</u>	<u>389</u>	<u>366</u>

#### 19. INVENTORIES

	As at 30 September			As at
	2013	2014	2015	31 May
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Raw materials	12,520	15,215	11,305	14,825
Work-in-progress	3,244	4,014	3,197	4,436
Finished goods	<u>12,493</u>	<u>17,047</u>	<u>7,893</u>	<u>8,119</u>
	<u>28,257</u>	<u>36,276</u>	<u>22,395</u>	<u>27,380</u>

The carrying amount of inventories carried at the lower of cost and net realisable value amounted to HK\$28,257,000, HK\$36,276,000, HK\$22,395,000 and HK\$27,380,000 as at 30 September 2013, 2014 and 2015 and 31 May 2016 respectively. Impairment losses of HK\$1,897,000, HK\$828,000, HK\$nil, HK\$1,314,000 and HK\$nil were recognised in the consolidated statement of profit or loss for the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2015 and 2016 respectively. Reversal of impairment losses, arising on the sale of inventories previously provided for, of HK\$828,000 and HK\$252,000 were credited to the consolidated statement of profit or loss for the year ended 30 September 2015 and the eight months ended 31 May 2016 respectively.

## 20. TRADE AND OTHER RECEIVABLES

### Group

	As at 30 September			As at
	2013	2014	2015	31 May
	HK\$'000	HK\$'000	HK\$'000	2016
Trade receivables	56,289	64,974	66,607	49,988
Less: Impairment provisions	(1,331)	(1,035)	(817)	—
Trade receivables — net	54,958	63,939	65,790	49,988
Prepayments and other receivables	9,284	1,771	4,084	6,711
	<u>64,242</u>	<u>65,710</u>	<u>69,874</u>	<u>56,699</u>

### Company

	As at 30 September			As at
	2013	2014	2015	31 May
	HK\$'000	HK\$'000	HK\$'000	2016
Prepayments and other receivables	<u>626</u>	<u>—</u>	<u>100</u>	<u>3,360</u>

The Group operates an asset-backed lending facility based on certain of its trade receivables. The discounting transactions do not meet the requirements in HKAS 39 for de-recognition of financial assets as the Group retains substantially all of the risks and rewards of ownership of the discounted trade receivables. At 30 September 2013, 2014 and 2015 and 31 May 2016, trade receivables of HK\$nil, HK\$71,534,000, HK\$70,735,000 and HK\$54,533,000, respectively continue to be recognised in the Financial Information even though they have been legally transferred to the financial institutions. The proceeds of the discounting transactions are included in borrowings as asset-backed

financing (note 26) until the trade receivables are collected or the Group settles any losses suffered by the financial institutions. At 30 September 2013, 2014 and 2015 and 31 May 2016, the asset-backed lending liabilities amounted to HK\$nil, HK\$25,232,000, HK\$34,061,000 and HK\$29,257,000, respectively.

At the end of each of the Relevant Periods, the aged analysis of trade receivables, based on invoice date, is as follows:

	As at 30 September			As at
	2013	2014	2015	31 May
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
0 - 60 days	39,202	51,807	44,385	35,264
61 - 90 days	11,678	2,737	9,865	8,111
91 - 120 days	2,333	6,980	7,297	3,411
More than 120 days	<u>3,076</u>	<u>3,450</u>	<u>5,060</u>	<u>3,202</u>
	<u>56,289</u>	<u>64,974</u>	<u>66,607</u>	<u>49,988</u>

Trade receivables that were neither past due nor impaired related to a large number of customers for whom there has been no recent history of default.

The Group allows credit periods ranging from 30 to 120 days to its trade customers depending on their credit status and geographical location during the Relevant Periods. The directors consider that the carrying amounts of trade and other receivables approximate to their fair values.

Movements in the provision for impairment of trade receivables are as follows:

	As at 30 September			As at
	2013	2014	2015	31 May
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
At 1 October	3,998	1,331	1,035	817
(Impairment losses reversed)/ impairment losses	(1,009)	(3)	23	(762)
Currency realignment	18	—	—	—
Uncollectible amounts written off	<u>(1,676)</u>	<u>(293)</u>	<u>(241)</u>	<u>(55)</u>
At 30 September/31 May	<u>1,331</u>	<u>1,035</u>	<u>817</u>	<u>—</u>

The Group has provided in full against those receivables where evidence suggests that the amounts outstanding are not recoverable.

The aged analysis of the Group's trade receivables, based on due date, that were past due as at the reporting date but not impaired, is as follows:

	As at 30 September			As at
	2013	2014	2015	31 May
	HK\$'000	HK\$'000	HK\$'000	2016 HK\$'000
Neither past due nor impaired	<u>50,880</u>	<u>54,544</u>	<u>31,935</u>	<u>35,420</u>
0 - 60 days past due	—	—	22,585	11,268
61 - 90 days past due	—	—	7,272	93
91 - 120 days past due	2,333	6,980	3,998	1,510
More than 120 days past due	<u>1,745</u>	<u>2,415</u>	<u>—</u>	<u>1,697</u>
	<u>4,078</u>	<u>9,395</u>	<u>33,855</u>	<u>14,568</u>
	<u>54,958</u>	<u>63,939</u>	<u>65,790</u>	<u>49,988</u>

Trade receivables that are past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality.

## 21. SHAREHOLDER LOAN

During the year ended 30 September 2014, a loan of HK\$31,000,000 was advanced by Pantene Industrial, a wholly owned subsidiary of the Company, to the sole shareholder of SNHGH, Mr. Simon N Hsu. As at 30 September 2014, the amount receivable was HK\$31,465,000 comprising the shareholder loan of HK\$31,000,000 and accrued interest of HK\$465,000.

The shareholder loan is unsecured, repayable on demand and carries an interest charge of 4.5% per annum.

During the year ended 30 September 2015, shareholder loans of HK\$31,000,000 in existence as at 30 September 2014 and accrued interest of HK\$1,002,000 were repaid by the sole shareholder. Amounts receivable from the shareholder as at 30 September 2015 and 31 May 2016 were HK\$nil.

## 22. AMOUNT(S) DUE FROM/(TO) FELLOW SUBSIDIARIES/THE IMMEDIATE HOLDING COMPANY/THE FORMER ULTIMATE HOLDING COMPANY

The amount(s) due is/are unsecured, interest free and repayable on demand.

During the year ended 30 September 2015, amounts payable to a fellow subsidiary of HK\$4,911,000, which represented HK\$3,613,000 from the closing down of a procurement centre and proceeds received on behalf of that fellow subsidiary of HK\$1,298,000 on reselling certain machinery in a prior year, were waived and have been credited to the consolidated statement of changes in equity (note 31).

During the year ended 30 September 2015, amounts receivable from a fellow subsidiary of HK\$1,766,000 which was in relation to the acquisition of certain companies by a fellow subsidiary in a prior year were waived, and charged to the consolidated statement of changes in equity (note 31).

Particulars of the amounts due from fellow subsidiaries are disclosed as follows:

Name of borrowers	Balance as at				Maximum balance outstanding during eight months ended				
	1 October	Balance as at 30 September			31 May	the year ended 30 September			
	2012	2013	2014	2015	2016	2013	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts due from fellow subsidiaries									
Pantene Global Holdings Limited	1,766	1,766	1,766	—	—	1,766	1,766	1,766	—
Bowers Eclipse Equipment Shanghai Co. Ltd.	25	25	25	74	50	25	25	74	74
Eclipse Tools Manufacturing Company Limited	101	53	53	53	35	101	53	53	53
	<u>1,892</u>	<u>1,844</u>	<u>1,844</u>	<u>127</u>	<u>85</u>	<u>1,892</u>	<u>1,844</u>	<u>1,893</u>	<u>127</u>

Mr. Simon N Hsu, a director of the Company, has a beneficial interest in the above fellow subsidiaries and the immediate holding company.

**23. LOAN TO THE IMMEDIATE HOLDING COMPANY**

As at 30 September 2014, the loan to the immediate holding company was unsecured, interest bearing at 4.5% per annum and repayable on demand.

During the year ended 30 September 2015, the loan receivable from the immediate holding company of HK\$43,788,000 and the interest thereon of HK\$2,627,000 was settled.

Particulars of the loan to the immediate holding company are disclosed as follows:

Name of borrower	Balance as at 30 September			Balance as at	Maximum balance outstanding during			eight
	2013	2014	2015	31 May	the year ended 30 September			months
	2013	2014	2015	2016	2013	2014	2015	ended
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	31 May
					2016			2016
					HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loan to the immediate holding company								
New Wave Capital Limited	—	44,445	—	—	—	44,445	44,445	—

Mr. Simon N Hsu, a director of the Company, has a beneficial interest in the above immediate holding company.

**24. CASH AND BANK BALANCES****Group**

	As at 30 September			As at
	2013	2014	2015	31 May
	2013	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at banks and in hand	64,151	40,395	67,264	50,947

**Company**

	As at 30 September			As at
	2013	2014	2015	31 May
	2013	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at banks and in hand	125	741	636	2,166

Cash and cash equivalents include short-term bank deposits carrying interest at prevailing market rates. The directors consider that the carrying value of the deposits at the end of each of Relevant Periods approximate to their fair value.

Included in bank and cash balances of the Group at the end of each of Relevant Periods are bank balances denominated in Renminbi ("RMB") of HK\$24,030,000, HK\$11,014,000, HK\$27,389,000 and HK\$4,085,000 placed with banks in Mainland China as at 30 September 2013, 2014 and 2015 and 31 May 2016, respectively. RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

## 25. TRADE AND OTHER PAYABLES

### Group

	As at 30 September			As at
	2013	2014	2015	31 May
	HK\$'000	HK\$'000	HK\$'000	2016 HK\$'000
Trade payables (Note (i))	27,254	36,112	27,579	30,861
Other payables and accruals (Note (ii))	<u>16,968</u>	<u>13,984</u>	<u>16,574</u>	<u>20,134</u>
	<u>44,222</u>	<u>50,096</u>	<u>44,153</u>	<u>50,995</u>

### Company

	As at 30 September			As at
	2013	2014	2015	31 May
	HK\$'000	HK\$'000	HK\$'000	2016 HK\$'000
Other payables (Note (ii))	<u>—</u>	<u>45</u>	<u>49</u>	<u>4,439</u>

Notes:

- (i) At the end of each of the Relevant Periods, the aged analysis of trade payables, based on invoice date, is as follows:

	As at 30 September			As at 31 May
	2013	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 - 60 days	25,045	26,298	20,065	23,384
61- 90 days	416	6,007	5,508	4,996
More than 90 days	<u>1,793</u>	<u>3,807</u>	<u>2,006</u>	<u>2,481</u>
	<u>27,254</u>	<u>36,112</u>	<u>27,579</u>	<u>30,861</u>

The directors consider that the carrying amounts of trade and other payables approximate to their fair values.

- (ii) Included in other payables of the Group and the Company as at 31 May 2016 are receipts in advance of HK\$1,939,000 from the immediate holding company, New Wave Capital Limited, in relation to its share of listing expenses incurred.

## 26. BANK BORROWINGS

	As at 30 September			As at
	2013	2014	2015	31 May
	HK\$'000	HK\$'000	HK\$'000	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings (all secured)				
comprise:				
Bank overdrafts	4,031	—	—	—
Export invoices/loan financing	14,257	15,207	9,830	5,665
Asset-backed lending	<u>—</u>	<u>25,232</u>	<u>34,061</u>	<u>29,257</u>
<b>Total overdrafts and bank borrowings</b>	<u>18,288</u>	<u>40,439</u>	<u>43,891</u>	<u>34,922</u>
Bank borrowings are repayable as follows:				
Within one year or on demand	<u>18,288</u>	<u>40,439</u>	<u>43,891</u>	<u>34,922</u>

The asset-backed lending represents the amount of financing obtained in factoring transactions which do not meet the de-recognition requirements in HKAS 39. The corresponding financial assets are included in trade receivables (note 20).

The bank borrowings which are denominated in HK\$ and US Dollars ("US\$"), carry variable interest rates linked to the relevant prime rates and fixed interest rates applicable to the country in which the facility has been taken out.

The effective interest rates on the Group's floating rate borrowings range from 2.3% to 6% per annum, 2.0% to 6.75% per annum, 4.0% to 4.5% per annum and 4.0% to 4.5% per annum for the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016, respectively.

The fair values of the Group's bank borrowings, determined as the present value of the estimated future cash flows, discounted using the prevailing market rate at the end of each of the Relevant Periods, approximate to their carrying values.

Refer to note 33 for details of pledged assets.

As at 30 September 2013, 2014 and 2015 and 31 May 2016, all of the Group's banking facilities are subject to the fulfilment of covenant clauses. As at 30 September 2014, 2015 and 31 May 2016, one of the Group's subsidiaries failed to maintain its adjusted consolidated tangible net worth of not less than US\$10 million as required under the financial covenant. Though the subsidiary breached this financial covenant clause, the bank did not request early repayment of the loan or take any other action. On 17 October 2016, the lending bank has granted the subsidiary a waiver of compliance with this financial covenant as at 30 September 2014 and 2015 and also removed such covenant from the bank facility after 30 September 2015.

## 27. PROVISIONS

	<b>Manufacturing reorganisation</b> <i>HK\$'000</i>
At 1 October 2012	—
Provision for the year (note 9)	541
Utilisation of provision	<u>(241)</u>
Carrying amount at 30 September 2013 and 30 September 2014 included in current liabilities	300
Reversal of provision for the year (note 9)	<u>(300)</u>
Carrying amount at 30 September 2015 and 31 May 2016 included in current liabilities	<u><u>—</u></u>

During the year ended 30 September 2013, a manufacturing reorganisation provision of HK\$541,000 was recognised in the consolidated statement of profit or loss. This provision related to the estimated costs for certain retrenchment expenses and the relocation of certain sourcing operations in Mainland China at that time. Following the completion of the closure of the sourcing operations in Mainland China, the provision of HK\$300,000 was released and credited to the consolidated statement of profit or loss during the year ended 30 September 2015.

## **28. DEFINED CONTRIBUTION PENSION PLANS**

### **Hong Kong**

The Group joined a Mandatory Provident Fund Scheme (the “MPF Scheme”) for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. For the Relevant Periods, the retirement benefit scheme contributions charged to the consolidated statement of profit or loss amounted to HK\$387,000, HK\$367,000, HK\$395,000, HK\$266,000 and HK\$263,000 for the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2015 and 2016, respectively (note 12), representing contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

### **Mainland China**

The employees of the Group’s subsidiaries in Mainland China are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute 8% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The total contribution made for the Relevant Periods was HK\$3,621,000, HK\$4,504,000, HK\$3,859,000 and HK\$3,181,000 and HK\$3,115,000 for the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2015 and 2016, respectively (note 12). No forfeited contributions may be used by the employer to reduce the existing level of contributions.

**29. DEFERRED TAX**

The following is the deferred tax liability recognised and the movement thereon for the Relevant Periods.

	<b>In respect of withholding tax on un-distributed profits HK\$'000</b>
At 1 October 2012, 30 September 2013 and 30 September 2014	—
Charged to the consolidated statement of profit or loss (note 13)	<u>(900)</u>
Carrying amount at 30 September 2015	(900)
Charged to the consolidated statement of profit or loss (note 13)	<u>(200)</u>
Carrying amount at 31 May 2016	<u><u>(1,100)</u></u>

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate (5%) may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by its subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 30 September 2013 and 2014, no deferred tax was recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute their earnings accrued after 1 January 2008 in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China, for which deferred tax liabilities have not been recognised at 30 September 2013 and 2014, totaled approximately HK\$5,350,000 and HK\$7,000,000, respectively. However, during the year ended 30 September 2015, dividends have been remitted from Shenzhen Pantai Electronic Co., Ltd., a wholly-owned subsidiary of Pantene Industrial. As a result, in addition to withholding taxes payable of HK\$547,000, a deferred tax provision of HK\$900,000, HK\$700,000 and HK\$200,000 representing 5% of unremitted earnings have also been established during the year ended 30 September 2015 and for the eight months ended 31 May 2015 and 2016 respectively.

At the end of each of the Relevant Periods, based on the estimation of future profit streams, the Group has unrecognised gross deferred tax assets (before applying tax rates prevailing in the respective jurisdictions) in respect of unused tax losses and other temporary differences available for offset against future profits, analysed as follows:

	As at 30 September			As at
	2013	2014	2015	31 May
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Unused tax losses	77,761	77,771	77,802	77,802
Other temporary differences	<u>549</u>	<u>4,881</u>	<u>4,300</u>	<u>4,122</u>
	<u>78,310</u>	<u>82,652</u>	<u>82,102</u>	<u>81,924</u>

The Group records deferred tax assets in respect of tax losses and other tax credits only where there is a reasonable expectation that these tax losses and credits will be utilised in the foreseeable future. Based on forecast income streams and having considered potential future earnings volatility, the Group does not anticipate the utilisation of any significant proportion of these unrecognised tax losses and other tax credits or the material reversal of the other deferred tax temporary differences in the foreseeable future. The tax losses and other tax credits principally arise in Hong Kong and can be carried forward indefinitely.

## 30. SHARE CAPITAL

	Number of ordinary shares of US\$1 each	Amount US\$	Number of ordinary shares of HK\$0.001 each	Amount HK\$	Amount HK\$
<i>Authorised:</i>					
At 1 October 2012, 30 September 2013, 30 September 2014 and 30 September 2015	50,000	50,000	—	—	
At 1 October 2015	50,000	50,000	—	—	
Increase in authorised share capital (Note (i))	—	—	50,000,000	50,000	
Reduction of authorised share capital (Note (iii))	(50,000)	(50,000)	—	—	
Increase in authorised share capital (Note (iv))	—	—	450,000,000	450,000	
At 31 May 2016	—	—	500,000,000	500,000	
<i>Issued and fully paid:</i>					
At 1 October 2012, 30 September 2013, 30 September 2014 and 30 September 2015	200	200	—	—	1,560
At 1 October 2015	200	200	—	—	1,560
Repurchase of shares (Note (ii))	(200)	(200)	—	—	(1,560)
Issue of shares (Note (ii))	—	—	200,000	200	200
At 31 May 2016	—	—	200,000	200	200

*Notes:*

- (i) Pursuant to the shareholder's resolution dated 15 January 2016, the Company's authorised share capital was increased from 50,000 ordinary shares at par value of US\$1 each to 50,000 ordinary shares at par value of US\$1 each and 50,000,000 ordinary shares at par value of HK\$0.001 each.

- (ii) On the same date, 200,000 ordinary shares were issued and allotted to the immediate holding company, New Wave Capital Limited (“NWC”), at par value of HK\$0.001 each and the 200 ordinary shares at par value of US\$1 each in the Company originally held by NWC were repurchased by the Company and cancelled (the “Repurchase of Shares”).
- (iii) Upon the Repurchase of Shares, the Company reduced its authorised but unissued shares by the cancellation of 50,000 ordinary shares at par value of US\$1 each.
- (iv) Pursuant to the shareholders resolution dated 29 March 2016, the Company’s maximum authorised shares were increased from 50,000,000 ordinary shares at par value of HK\$0.001 each to 500,000,000 ordinary shares at par value of HK\$0.001 each.

### 31. RESERVES

#### Group

The amounts of the Group’s reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

#### *Statutory reserve*

In accordance with the relevant laws and regulations of the PRC, the PRC subsidiaries are required to appropriate 10% of its profit after tax, prepared in accordance with the accounting regulation in the PRC, to the statutory reserve fund until the statutory reserve balance reaches 50% of the registered capital. Such reserve may be used to reduce any losses incurred or to increase capital.

#### *Translation reserve*

The translation reserve comprises the exchange differences arising on the translation of the financial statements of foreign operations.

#### *Other reserve*

The other reserve represents the waiver of: (i) amount due from the former ultimate holding company amounting to HK\$5,640,000 during the year ended 30 September 2013; (ii) amounts payable to a fellow subsidiary amounting to HK\$4,911,000 during the year ended 30 September 2015; and (iii) amounts receivable from a fellow subsidiary amounting to HK\$1,766,000 during the year ended 30 September 2015.

## Company

	Other reserve <i>HK\$'000</i>	Retained profits/ (Accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 October 2012	104,663	577	105,240
Dividends paid (note 15)	—	(7,500)	(7,500)
Profit for the year	—	7,667	7,667
Waiver of amount due from the former ultimate holding company (note 36)	<u>(5,640)</u>	<u>—</u>	<u>(5,640)</u>
At 30 September 2013 and 1 October 2013	99,023	744	99,767
Profit for the year	<u>—</u>	<u>4,940</u>	<u>4,940</u>
At 30 September 2014 and 1 October 2014	99,023	5,684	104,707
Dividends paid (note 15)	—	(78,594)	(78,594)
Profit for the year	<u>—</u>	<u>78,635</u>	<u>78,635</u>
At 30 September 2015 and 1 October 2015	99,023	5,725	104,748
Dividends paid (note 15)	—	(28,500)	(28,500)
Dividends approved and declared (note 15)	—	(30,000)	(30,000)
Loss for the period	<u>—</u>	<u>(4,063)</u>	<u>(4,063)</u>
At 31 May 2016	<u>99,023</u>	<u>(56,838)</u>	<u>42,185</u>

*Other reserve*

The other reserve represents a transaction arising from a Group reorganisation and the waiver of an amount due from the former ultimate holding company amounting to HK\$5,640,000.

### 32. RECONCILIATION OF THE INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS TO THE MOVEMENT IN NET CASH/(BORROWINGS)

	<i>Notes</i>	Year ended 30 September			Eight months ended 31 May	
		2013	2014	2015	2015	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(Unaudited)
Net increase/(decrease) in cash and cash equivalents		25,967	(19,559)	28,805	12,685	(15,592)
Effect of foreign exchange rates		1,214	(166)	(1,936)	(331)	(725)
Net movement in cash and cash equivalents		27,181	(19,725)	26,869	12,354	(16,317)
New bank borrowings raised		(459)	(26,182)	(3,452)	5,519	8,969
Release of pledged bank deposits		(5,000)	—	—	—	—
Net cash at the beginning of the year/period		24,141	45,863	(44)	(44)	23,373
<b>Net cash/(borrowings) at the end of the year/period</b>		<u>45,863</u>	<u>(44)</u>	<u>23,373</u>	<u>17,829</u>	<u>16,025</u>
<b>Represented by:</b>						
<b>Cash and cash equivalents</b>	24	64,151	40,395	67,264	52,749	50,947
<b>Interest-bearing bank borrowings - amounts due within one year</b>	26	<u>(18,288)</u>	<u>(40,439)</u>	<u>(43,891)</u>	<u>(34,920)</u>	<u>(34,922)</u>
		<u>45,863</u>	<u>(44)</u>	<u>23,373</u>	<u>17,829</u>	<u>16,025</u>

### 33. PLEDGE OF ASSETS

At 30 September 2013, the banking facilities of the Company's wholly owned subsidiaries based in Hong Kong and China, amounted to approximately HK\$70,000,000, comprising overdraft and import and export loans. The facilities were secured against certain keyman insurance, debentures over all of the assets of Pantene Industrial, a subsidiary of the Company, and guarantees from the Company and the ultimate holding company at that time, UPI (stock code: 0176). At 30 September 2013, the amount drawn down under the overdraft facility was HK\$4,031,000 and the import loan and export loan facilities was HK\$14,257,000.

At 30 September 2014, the banking facilities of the Company's wholly owned subsidiaries based in Hong Kong and China, amounted to approximately HK\$110,500,000, comprising overdraft, confidential invoicing and import loans. The facilities are secured against certain keyman insurance, debentures over all of the assets of Pantene Industrial and guarantees from the Company, NWC and SNHGH. At 30 September 2014, the amount drawn down under the confidential invoice facility was HK\$25,232,000 and the import loan facility was HK\$15,207,000.

At 30 September 2015, the banking facilities of the Company's wholly owned subsidiaries based in Hong Kong and China, amounted to approximately HK\$109,810,000, comprising overdraft, confidential invoicing and import loans. The facilities are secured against certain keyman insurance, debentures over all of the assets of Pantene Industrial and guarantees from the Company, NWC and SNHGH. At 30 September 2015, the amount drawn down under the confidential invoice facility was HK\$34,061,000 and the import loan facility was HK\$9,830,000. The corporate guarantees in respect of import loans and confidential invoicing have been released subsequently on 11 November 2015 and 17 December 2015, respectively.

At 31 May 2016, the banking facilities of the Company's wholly owned subsidiaries based in Hong Kong and China, amounted to approximately HK\$85,479,000, comprising overdraft, confidential invoicing and import loans. The facilities are secured against certain keyman insurance and debentures over all of the assets of Pantene Industrial. At 31 May 2016, the amount drawn down under the confidential invoice facility was HK\$29,257,000 and the import loan facility was HK\$5,665,000.

Subsequent to the reporting date, on 4 July 2016, an import facility for HK\$23,576,000, which had expired on 7 April 2016, was renewed. This facility has not been included in the total facility of HK\$85,479,000 as at 31 May 2016. Had it been included the total facility available would be approximately HK\$109,055,000.

### **34. CONTINGENT LIABILITIES**

#### **Financial guarantees issued**

The Company and Pantene Industrial provided cross-guarantees on a £2.0 million (approximately HK\$25.2 million) term loan borrowed from a bank by a fellow United Kingdom-registered subsidiary in May 2014. Pursuant to the terms of the loan facility, the fellow subsidiary pledged its own freehold properties with a net book value of approximately £3.0 million (approximately HK\$37.8 million) which, in the opinion of the directors approximated to their fair values and the guarantees were sufficiently covered by the existing security in the fellow subsidiary. Accordingly, the directors of the Company considered that the fair value of the guarantees on the loan provided by the Company and Pantene Industrial to be minimal.

At 30 September 2014, cross-guarantees were in place whereby the Company and Pantene Industrial were guarantors to a term loan taken out by a fellow subsidiary based in the United Kingdom, Spear & Jackson Group Limited. The directors of the Company considered that the outstanding loan borrowed by the fellow subsidiary was fully covered by its own financial resources and the probability of any loss in the event of default of repayment was minimal.

At 30 September 2015 this cross-guarantee was removed.

In addition, as a consequence of the additional bank leverage in fellow subsidiary in the UK and the detriment this had on a UK defined benefit pension plan, on 30 May 2014, Pantene Industrial entered into a guarantee with the UK pension plan. The guarantee of approximately HK\$34.0 million, reduces on a HK\$ for HK\$ basis in line with the UK borrowings (as adjusted by the additional debt assumed at 30 May 2014) and each annual anniversary thereon. The guarantee will be removed when those adjusted UK bank borrowings have been reduced by HK\$34.0 million. While the guarantee remains in place, Pantene Industrial has provided a negative pledge whereby it will not do or cause anything to be done which materially impairs its ability to undertake its obligations under the guarantee.

On 30 April 2015 the guarantee conditions were fully satisfied and as a consequence, on that date, the guarantee of approximately HK\$34.0 million and the negative pledge were removed.

### 35. OPERATING LEASE COMMITMENTS

#### The Group as lessee

At the end of each of the Relevant Periods, the Group had commitments for future minimum lease payments under non-cancelable operating leases in respect of rented premises which fall due as follows:

	As at 30 September			As at
	2013	2014	2015	31 May
	HK\$'000	HK\$'000	HK\$'000	2016
				HK\$'000
Operating leases which expire:				
Within one year	676	2,819	3,718	3,022
In the second to fifth years inclusive	—	3,422	912	125
	<u>676</u>	<u>6,241</u>	<u>4,630</u>	<u>3,147</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties and factories. The leases run for an initial period of 2 to 3 years, 2 to 3 years, 2 to 3 years and 7 months to 2 years as at 30 September 2013, 2014 and 2015 and 31 May 2016, respectively, with an option to renew the leases and renegotiate the terms at the expiry date or dates as mutually agreed between the Group and the respective landlords. None of the leases contain contingent rentals.

**36. RELATED PARTY TRANSACTIONS**

- (a) In addition to the transactions and balances disclosed in this Financial Information, the Group entered into the following significant transactions with related parties during the Relevant Periods.

During the year ended 30 September 2013, interest on group loans of HK\$453,000 was recharged to UPI (stock code: 0176), the then ultimate holding company. During the year ended 30 September 2013, HK\$5,640,000 owed by UPI (stock code: 0176) to the Company was waived. The amount originally arose from the sale of certain available-for-sale financial assets of the Group to the then ultimate holding company and was waived by the latter on the change of ownership of the Company in May 2014. This charge was recognised in the consolidated statement of changes in equity.

During the year ended 30 September 2013, the Company transferred to Rise Up International Limited, a wholly-owned subsidiary of UPI (stock code: 0176), 13,428,000 treasury shares of UPI (stock code: 0176) (available-for-sale financial assets) at a net book value of HK\$5,640,000. A gain on disposal of available-for-sale financial assets of HK\$13,000 was credited to the consolidated statement of profit or loss.

During the year ended 30 September 2013, management fees of HK\$4,491,000 were payable to UPI (stock code: 0176). During the year ended 30 September 2014, management fees of HK\$1,616,000 were payable to SNHGH.

During the year ended 30 September 2014, Pantene Industrial advanced a loan of HK\$43,788,000 to NWC, the immediate holding company. At 30 September 2014, the outstanding amount receivable was HK\$44,445,000 comprising a loan of HK\$43,788,000 and accrued interest of HK\$657,000. The loan is unsecured, repayable on demand and carries an interest charge of 4.5% per annum.

On 30 May 2014, as part of the transactions of sale of the entire equity interests in the Company by UPI (stock code: 0176) to SNHGH, loan balances which the Company had previously owed to UPI (stock code: 0176), were re-assigned across the group of companies. The transactions resulted in the Company being owed HK\$112,413,000 from its wholly-owned subsidiaries and the Company owing its immediate holding company, NWC, HK\$13,422,000. The respective loan balances were unsecured, interest free and repayable on demand.

During the year ended 30 September 2014, the Group received a one-time refund of management fees of HK\$3,577,000 from UPI (stock code: 0176). Until 30 May 2014, the Group was a subsidiary of UPI (stock code: 0176). After 30 May 2014, the Group was no longer required to pay management fees to UPI (stock code: 0176) and, following negotiation, fees paid to UPI (stock code: 0176) in relation to prior years were refunded to the Group during the year ended 30 September 2014. This was included within other income in the consolidated statement of profit or loss.

During the year ended 30 September 2014, a loan of HK\$31,000,000 was advanced by Pantene Industrial to the sole shareholder of SNHGH, Mr. Simon N Hsu. As at 30

September 2014, the outstanding amount receivable was HK\$31,465,000 comprising the shareholder loan of HK\$31,000,000 and accrued interest of HK\$465,000. The loan was unsecured, repayable on demand and carried an interest charge of 4.5% per annum.

During the year ended 30 September 2015, the loan of HK\$31,000,000 advanced by Pantene Industrial to the sole shareholder of SNHGH, Mr. Simon N Hsu, in the year ended 30 September 2014, was repaid. The total repayment of HK\$32,002,000 comprised loan capital of HK\$31,000,000, accrued interest as at 30 September 2014 of HK\$465,000 and interest credited to the consolidated statement of profit or loss in the year to 30 September 2015 of HK\$537,000. As at 30 September 2015, the balance outstanding was HK\$nil.

During the year ended 30 September 2015, the loan advanced by Pantene Industrial to NWC, the immediate holding company, was repaid. The repayment of HK\$46,415,000 included loan capital of HK\$43,788,000, accrued interest at 30 September 2014 of HK\$657,000 and interest credited to the consolidated statement of profit or loss in the year to 30 September 2015 of HK\$1,970,000. As at 30 September 2015, the balance outstanding was HK\$nil.

During the eight months ended 31 May 2015, HK\$20,000,000 of the loan advanced by Pantene Industrial to the sole shareholder of SNHGH, Mr. Simon N Hsu, in the year ended 30 September 2014 was fully repaid. Interest credited to the consolidated statement of profit and loss in that period was HK\$516,000.

During the eight months ended 31 May 2015, a loan of HK\$3,600,000 was advanced by Pantene Industrial to the sole shareholder of SNHGH, Mr. Simon N Hsu.

During the eight months ended 31 May 2015, interest of HK\$1,313,000 was credited to the consolidated statement of profit and loss in relation to the loan of HK\$43,788,000 advanced by Pantene Industrial to NWC.

On 15 January 2016, 200,000 ordinary shares were issued and allotted to the immediate holding company, NWC, at par value of HK\$0.001 each and the 200 ordinary shares at par value of US\$1 each in the Company originally held by NWC were repurchased by the Company and cancelled. As at 31 May 2016 the amount payable to NWC of HK\$1,360 is reflected as an amount due to the immediate holding company in the consolidated and company statements of financial position.

**(b) Compensation of key management personnel**

The key management personnel are the directors and the five highest paid individuals of the Company. The details of the emoluments paid to them are set out in note 14.

**37. INVESTMENTS IN SUBSIDIARIES****Company**

	As at 30 September			As at
	2013	2014	2015	31 May
	HK\$'000	HK\$'000	HK\$'000	2016 HK\$'000
Unlisted investments, at cost	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>

The amount(s) due from/(to) subsidiaries is/are unsecured, interest free and repayable on demand.

**38. FINANCIAL RISK MANAGEMENT AND POLICIES**

The Group is exposed to a variety of financial risks: market risk (including foreign currency risk, interest rate risk, fair value risk, credit risk and liquidity risk). The Group's overall risk management focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the directors. The Group does not have written risk management policies. However, the directors meet regularly and co-operates closely with key management to identify and evaluate risks and to formulate strategies to manage financial risks.

**Foreign currency risk**

Foreign currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's principal operating subsidiaries carry out their operations in the PRC, including Hong Kong. Entities in the Group regularly transact in currencies other than their respective functional currencies with regard to the selling and purchase of products. As a consequence of the various trading activities, certain trade receivables and borrowings of the Group are denominated in foreign currencies. While the Group has no formal hedging policy, it does seek to manage its foreign currency exposures by constructing natural hedges as well as entering into certain forward foreign exchange contracts to minimise any currency exposure risks.

The Group's foreign currency risk is mainly concentrated on the fluctuation of the US\$ against the RMB.

	As at 30 September			As at
	2013	2014	2015	31 May
	HK\$'000	HK\$'000	HK\$'000	2016 HK\$'000
Trade receivables	55,756	64,974	66,607	49,988
Cash and cash equivalents	—	23,231	8,337	39,281
Trade payables	(4,802)	(7,708)	(4,653)	(6,975)
Borrowings	<u>(4,004)</u>	<u>(28,509)</u>	<u>(34,343)</u>	<u>(29,305)</u>
Gross exposure arising from recognised financial assets and liabilities	<u>46,950</u>	<u>51,988</u>	<u>35,948</u>	<u>52,989</u>

Assuming sensitivity to a 5% increase where the RMB strengthens against the US\$ there would be an increase in profit of approximately HK\$2.3 million, HK\$2.6 million, HK\$2.0 million and HK\$2.6 million for the years ended 30 September 2013, 2014 and 2015 and the eight months ended 31 May 2016 respectively. For a 5% weakening of the currency there would be an equal and opposite impact on profit or loss. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the reporting date for a 5% change in foreign currency rates.

### Interest rate risk

The Group's exposure to interest rate risk relates principally to its interest-bearing bank borrowings and interest-bearing inter-company loans. The interest-bearing bank borrowings have floating and fixed interest rates and in the main are denominated in HK\$ and US\$. The interest rates and terms of repayment of interest-bearing bank borrowings of the Group are disclosed in note 26. At present, the Group does not intend to seek to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate profile and will consider appropriate hedging measures in the future which may be necessary.

The net interest credit experienced by the Group is HK\$5,000, HK\$1,272,000 and HK\$1,655,000 for the years ended 30 September 2013, 2014 and 2015 respectively. If there were a 1% increase/(decrease), the net interest credit would increase/(decrease) by approximately HK\$14,000, HK\$500,000 and HK\$500,000 for the years ended 30 September 2013, 2014 and 2015 respectively. The net interest expense experienced by the Group is HK\$814,000 for the eight months ended 31 May 2016. If there were a 1% increase/(decrease), the net interest expense would (decrease)/increase by approximately HK\$166,000 for the eight months ended 31 May 2016.

**Fair value risk**

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial assets and liabilities.

**Credit risk**

The Group's credit risk is primarily attributable to trade receivables. The Group has a credit insurance policy in place and the exposure to credit risk is monitored on an ongoing basis.

The Group is exposed to concentration risk as a significant portion of its business is derived from its largest customers. As at 30 September 2013, 2014 and 2015 and 31 May 2016, trade receivables of HK\$36,971,000, HK\$49,377,000, HK\$55,195,000 and HK\$39,230,000 were contributed by the top five customers respectively. In order to minimise any credit risk, the management of the Group has delegated a team which is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts.

Additionally, in certain markets, specific guarantee insurance is taken out to minimise any credit rate risk. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. Management does not expect any significant losses of trade receivables that have not been provided for by way of an allowance.

The credit risk on liquid funds is limited because the counterparts are banks with high credit ratings assigned by international credit-rating agencies.

Maximum exposure to credit risk in respect of financial guarantees issued by the Group was HK\$nil, HK\$34.0 million, HK\$nil and HK\$nil as at 30 September 2013, 2014 and 2015 and 31 May 2016, respectively, which represented the maximum amount the Company could be required to pay if the guarantees were called on (note 34).

**Liquidity risk**

The Group's objective is to ensure that adequate funds are available to meet commitments associated with its financial liabilities.

The Group manages its liquidity needs by carefully monitoring short-term and long-term cash outflows on a regular basis. The Group mainly utilises cash to meet its liquidity requirements for periods up to 30 days. Funding for long-term liquidity needs will be considered when liquidity requirements in the long term are identified.

The table below analyses the Group's and the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

**At 30 September 2013**

	Group			Company		
	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities:						
Trade and other payables	44,222	44,222	44,222	—	—	—
Bank borrowings	18,288	18,288	18,288	—	—	—
Amounts due to fellow subsidiaries	5,689	5,689	5,689	—	—	—
Amount due to the former ultimate holding company	112,373	112,373	112,373	—	—	—
	<u>180,572</u>	<u>180,572</u>	<u>180,572</u>	<u>—</u>	<u>—</u>	<u>—</u>

**At 30 September 2014**

	Group			Company		
	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities:						
Trade and other payables	50,096	50,096	50,096	45	45	45
Bank borrowings	40,439	40,439	40,439	—	—	—
Amounts due to fellow subsidiaries	4,852	4,852	4,852	—	—	—
Amount due to the immediate holding company	13,422	13,422	13,422	13,422	13,422	13,422
	<u>108,809</u>	<u>108,809</u>	<u>108,809</u>	<u>13,467</u>	<u>13,467</u>	<u>13,467</u>

## At 30 September 2015

	Group			Company		
	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities:						
Trade and other payables	44,153	44,153	44,153	49	49	49
Bank borrowings	43,891	43,891	43,891	—	—	—
Amount due to a subsidiary	—	—	—	7,422	7,422	7,422
	<u>88,044</u>	<u>88,044</u>	<u>88,044</u>	<u>7,471</u>	<u>7,471</u>	<u>7,471</u>

## At 31 May 2016

	Group			Company		
	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities:						
Trade and other payables	50,995	50,995	50,995	4,439	4,439	4,439
Bank borrowings	34,922	34,922	34,922	—	—	—
Dividend payable	30,000	30,000	30,000	30,000	30,000	30,000
Amount due to a subsidiary	—	—	—	40,422	40,422	40,422
Amount due to the immediate holding company	1	1	1	1	1	1
	<u>115,918</u>	<u>115,918</u>	<u>115,918</u>	<u>74,862</u>	<u>74,862</u>	<u>74,862</u>

### Summary of financial assets and liabilities by category

The carrying amounts of financial assets and liabilities presented in the consolidated and company statements of financial position relate to the following categories:

#### Financial assets:

	Group				Company			
	As at 30 September			As at	As at 30 September			As at
	2013	2014	2015	31 May	2013	2014	2015	31 May
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loans and receivables:								
Trade and other receivables*	62,956	64,802	68,552	53,308	626	—	100	418
Shareholder loan	—	31,465	—	—	—	—	—	—
Amounts due from subsidiaries	—	—	—	—	—	118,413	112,463	112,500
Amounts due from fellow subsidiaries	1,844	1,844	127	85	—	—	—	—
Loan to the immediate holding company	—	44,445	—	—	—	—	—	—
Amount due from the former ultimate holding company	99,006	—	—	—	99,006	—	—	—
Cash and bank balances	64,151	40,395	67,264	50,947	125	741	636	2,166
	<u>227,957</u>	<u>182,951</u>	<u>135,943</u>	<u>104,340</u>	<u>99,757</u>	<u>119,154</u>	<u>113,119</u>	<u>115,084</u>

\* Excluded from trade and other receivables as disclosed in the consolidated statements of financial position of HK\$64,242,000, HK\$65,710,000, HK\$69,874,000 and HK\$56,699,000 as at 30 September 2013, 2014 and 2015 and 31 May 2016, respectively, are amounts of HK\$1,286,000, HK\$908,000, HK\$1,322,000 and HK\$3,391,000 representing prepayments. No prepayments were included in prepayments and other receivables as disclosed in the company statements of financial position as at 30 September 2013, 2014 and 2015 and prepayments of HK\$2,942,000 has been excluded from prepayments and other receivables as disclosed in the company statement of financial position of HK\$3,360,000 as at 31 May 2016.

*Financial liabilities:*

	Group				Company			
	As at 30 September			As at	As at 30 September			As at
	2013	2014	2015	31 May	2013	2014	2015	31 May
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial liabilities measured at amortised cost:								
Trade and other payable	44,222	50,096	44,153	50,995	—	45	49	4,439
Bank borrowings	18,288	40,439	43,891	34,922	—	—	—	—
Dividend payable	—	—	—	30,000	—	—	—	30,000
Amount due to a subsidiary	—	—	—	—	—	—	7,422	40,422
Amounts due to fellow subsidiaries	5,689	4,852	—	—	—	—	—	—
Amount due to the immediate holding company	—	13,422	—	1	—	13,422	—	1
Amount due to the former ultimate holding company	112,373	—	—	—	—	—	—	—
	<u>180,572</u>	<u>108,809</u>	<u>88,044</u>	<u>115,918</u>	<u>—</u>	<u>13,467</u>	<u>7,471</u>	<u>74,862</u>

**39. CAPITAL MANAGEMENT POLICIES AND RISK**

The Group's objectives are: to provide returns for its shareholders; to safeguard the Group's ability to continue as a going concern so that it continues to provide returns and benefits for its stakeholders; to support the Group's stability and growth; and to provide capital for the purpose of strengthening the Group's risk management capability.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholder, return capital to its shareholder and issue new shares to reduce its debt level.

Consistent with other industries, the Group monitors capital on the basis of the debt to equity. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest-bearing bank borrowings less cash and bank balances. Total capital represents total equity, as shown in the consolidated statement of financial position.

	As at 30 September			As at
	2013	2014	2015	31 May
	HK\$'000	HK\$'000	HK\$'000	2016
Total net cash/(debts) (note 32)	45,863	(44)	23,373	16,025
Total capital	92,427	122,375	77,675	23,458
Debt to equity ratio	<u>N/A</u>	<u>0.036%</u>	<u>N/A</u>	<u>N/A</u>

#### 40. EVENTS AFTER THE REPORTING PERIOD

The Company declared a second interim dividend on 15 April 2016 in relation to the year ended 30 September 2016 of HK\$30,000,000 (note 15) which was paid on 28 October 2016.

Apart from the item disclosed above, there are no other significant events which have taken place subsequent to 31 May 2016.

### III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and any of its subsidiaries in respect of any period subsequent to 31 May 2016 and up to the date of this report.

Yours faithfully,

**BDO Limited**

*Certified Public Accountant*

**Chiu Wing Cheung Ringo**

Practising Certificate Number: P04434

Hong Kong

---

**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

---

*The following information does not form part of the Accountant’s Report from the Company’s reporting accountant, BDO Limited, Certified Public Accountant, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed “Financial information” in this prospectus and the Accountant’s Report set out in Appendix I to this prospectus.*

**A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared in accordance with Rule 4.29 of the Listing Rules, and is set out below to illustrate the effect of the Share Offer on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 May 2016 as if it had taken place on 31 May 2016.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, and because of its hypothetical nature, it does not purport to represent the Group’s actual consolidated net tangible assets as at 31 May 2016 or at any future dates following the Share Offer. It is prepared based on the audited consolidated net tangible assets of the Group as at 31 May 2016 as set out in the Accountant’s Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted consolidated net tangible assets does not form part of the Accountant’s Report in Appendix I to this prospectus.

	<b>Audited consolidated net tangible assets attributable to owners of the Company as at 31 May 2016 <i>HK\$’000</i> <i>(Note 1)</i></b>	<b>Estimated net proceeds from the Share Offer <i>HK\$’000</i> <i>(Notes 2)</i></b>	<b>Unaudited pro forma adjusted consolidated net tangible assets after the completion of the Share Offer <i>HK\$’000</i></b>	<b>Unaudited pro forma adjusted consolidated net tangible assets per Share <i>HK\$</i> <i>(Note 3)</i></b>
Based on an Offer Price of HK\$1.44 per share	<u>23,458</u>	<u>72,256</u>	<u>95,714</u>	<u>0.32</u>
Based on an Offer Price of HK\$1.80 per share	<u>23,458</u>	<u>94,255</u>	<u>117,713</u>	<u>0.39</u>

---

## APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION

---

*Notes:*

1. The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 May 2016 have been derived from audited consolidated net assets of the Group of approximately HK\$23,458,000 as at 31 May 2016 extracted from the Accountant's Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Share Offer are based on the Company issuing and offering 63,000,000 Shares at the Offer Price of HK\$1.44 or HK\$1.80 per Share, after deduction of the estimated underwriting fees and commissions and other estimated expenses payable by the Company in relation to the Share Offer which have not been reflected in net tangible assets of the Group as at 31 May 2016.
3. Immediately prior to the Listing, the Company will issue 236,800,000 Shares at par value of HK\$0.001 each to New Wave, the Company's immediate holding company, resulting in a HK\$236,800 increase in the Company's share capital and a corresponding deduction of HK\$236,800 to the Company's share premium account which will have no impact on the Group's net tangible assets. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 300,000,000 Shares, comprising 200,000 Shares in issue as at 31 May 2016, 236,800,000 Shares issued at par value to New Wave and the issue of a further 63,000,000 Shares (note 2 above) and the estimated net proceeds from the Share Offer payable to the Company (note 2 above).
4. No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 May 2016 to reflect any trading results or other transactions of the Group entered into subsequent to 31 May 2016.

---

## APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION

---

### B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from the reporting accountant of the Company, BDO Limited, Certified Public Accountant, Hong Kong, in respect of the unaudited pro forma financial information.*



Tel : +852 2218 8288  
Fax: +852 2815 2239  
www.bdo.com.hk

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

電話：+852 2218 8288  
傳真：+852 2815 2239  
www.bdo.com.hk

香港干諾道中111號  
永安中心25樓

### INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

#### TO THE DIRECTORS OF PANTRONICS HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Pantronics Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 May 2016 and related notes as set out on pages II-1 to II-2 of the prospectus dated 9 November 2016 issued by the Company (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II to the prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Share Offer on the Group's financial position as at 31 May 2016 as if the event had taken place as at 31 May 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the eight months ended 31 May 2016, 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 (the "HKICPA").

***Our Independence and Quality Control***

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

***Reporting 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 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 the prospectus is solely to illustrate the impact of the Share Offer on unadjusted financial information of the Group 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 event or transaction would have been as presented.

---

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

---

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 judgement, having regard to the reporting accountant's understanding of the nature of the Group, the 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 purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

### **BDO Limited**

*Certified Public Accountant*

### **Chiu Wing Cheung Ringo**

Practising Certificate Number: P04434

Hong Kong, 9 November 2016

*The estimate of the consolidated profit attributable to owners of the Company for the year ended 30 September 2016 is set out in the section headed “Financial information — Profit estimate for the year ended 30 September 2016” in this prospectus.*

**BASES**

The estimate of the consolidated profit attributable to owners of the Company for the year ended 30 September 2016 prepared by the Directors is based on: (i) the audited consolidated financial results of the Group for the eight months ended 31 May 2016; and (ii) the unaudited consolidated financial results based on the management accounts of the Group for the remaining four months ended 30 September 2016. The estimate has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by the Group as summarised in the Accountant’s Report in Appendix I to this prospectus.

**(1) LETTER FROM THE REPORTING ACCOUNTANT ON THE PROFIT ESTIMATE**

*The following is the text of a letter, prepared for inclusion in this prospectus, received by the Directors and the Sole Sponsor from the Company's reporting accountant, BDO Limited, Certified Public Accountant, Hong Kong, in connection with the estimate of the consolidated profit attributable to owners of the Company for the year ended 30 September 2016.*



Tel : +852 2218 8288  
Fax: +852 2815 2239  
www.bdo.com.hk

25<sup>th</sup> Floor Wing On Centre  
111 Connaught Road Central  
Hong Kong

電話 : +852 2218 8288  
傳真 : +852 2815 2239  
www.bdo.com.hk

香港干諾道中111號  
永安中心25樓

9 November 2016

The Board of Directors  
Pantronics Holdings Limited

Octal Capital Limited

Dear Sirs,

**Pantronics Holdings Limited (the "Company")**

**Profit Estimate for Year Ended 30 September 2016**

We refer to the estimate of the consolidated profit of the Company and its subsidiaries (collectively referred to as the "**Group**") attributable to owners of the Company for the year ended 30 September 2016 (the "**Profit Estimate**") set forth in the section headed "Profit Estimate" in the prospectus of the Company dated 9 November 2016 (the "**Prospectus**").

***Directors' Responsibilities***

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Group for the eight months ended 31 May 2016 and the unaudited consolidated results based on the management accounts of the Group for the remaining four months ended 30 September 2016.

The Company's directors are solely responsible for the Profit Estimate.

***Our Independence and Quality Control***

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

***Reporting Accountant's Responsibilities***

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500, *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

***Opinion***

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountant's report dated 9 November 2016, the text of which is set out in Appendix I to the Prospectus.

Yours faithfully,

**BDO Limited**

*Certified Public Accountant*

## (2) LETTER FROM THE SOLE SPONSOR ON THE PROFIT ESTIMATE

*The following is the text of a letter, prepared for inclusion in this prospectus by the Sole Sponsor, in connection with the estimated consolidated profit attributable to owners of the Company for the year ended 30 September 2016.*



9 November 2016

The Board of Directors  
**Pantronics Holdings Limited**

Dear Sirs,

We refer to the estimate of the consolidated profit attributable to owners of Pantronics Holdings Limited (the “**Company**”, together with its subsidiaries, herein collectively referred to as the “**Group**”) for the year ended 30 September 2016 (the “**Profit Estimate**”) as set forth in the section headed “Profit Estimate” in the prospectus of the Company dated 9 November 2016 (the “**Prospectus**”).

The Profit Estimate, for which you as the directors of the Company (the “**Directors**”) are solely responsible, has been prepared by the Directors based on the audited consolidated financial results of the Group for the eight months ended 31 May 2016 and the unaudited consolidated financial results based on the management accounts of the Group for the remaining four months ended 30 September 2016.

We have discussed with you the bases made by the Directors as set forth in Appendix III to the Prospectus upon which the Profit Estimate has been made. We have also considered the letter dated 9 November 2016 addressed to you and us from the Company’s reporting accountant, BDO Limited, regarding the accounting policies and the calculations upon which the Profit Estimate has been based.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and the calculations adopted by you and reviewed by BDO Limited, we are of the opinion that the Profit Estimate, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully  
For and on behalf of  
**Octal Capital Limited**  
**Alan Fung**  
*Managing Director*

*The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 30 September 2016 of the property interest held by Shenzhen Pantai Electronic Co., Ltd..*



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
6/F Three Pacific Place 1 Queen's Road East Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Licence No: C-030171

9 November 2016

The Board of Directors  
**Pantronics Holdings Limited**

Dear Sirs,

In accordance with your instructions to value the property interest held by Pantronics Holdings Limited (the “**Company**”) and its subsidiary in the People’s Republic of China (the “**PRC**”), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market value of the property interest as at 30 September 2016 (the “**valuation date**”).

Our valuation is carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Due to the nature of the buildings of the property interest and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available. The property interest has therefore been valued by Cost Approach with reference to its depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. In arriving at the value of land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of Real Estate Title Certificates relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC Legal Adviser — King & Wood Mallesons concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on 4 November 2015 by Ms. Jennifer Xu and Mr. Allen Zhang. Ms. Jennifer Xu has 8 years' experience and Mr. Allen Zhang has 2 year's experience in the valuation of properties in the PRC respectively.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Our valuation certificate is attached.

Yours faithfully,  
For and on behalf of  
**Jones Lang LaSalle Corporate Appraisal and Advisory Limited**  
**Gilbert C. H. Chan**  
*MRICS MHKIS RPS (GP)*  
*Director*

*Note: Gilbert C. H. Chan is a Chartered Surveyor who has 23 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.*

## VALUATION CERTIFICATE

## Property interest held and occupied by the Company in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2016 RMB
2 parcels of land with 5 industrial buildings and various structures erected thereon located at Heung Zhao Industrial Estate, Songgang Town, Bao'an District, Shenzhen City, Guangdong Province, the PRC.	<p>The property comprises 2 parcels of land with a total site area of approximately 10,701 sq.m. and 5 buildings and various structures erected thereon which were completed in 1995.</p> <p>The buildings mainly include industrial workshops, warehouse, administration building, dormitory building and maintenance building with a total gross floor area of approximately 12,639.44 sq.m.</p> <p>The structures mainly include roads, fences and security booth.</p> <p>The land use rights of the property have been granted for 50 years expiring on 3 September 2042 for industrial and staff quarter uses.</p>	The property is currently occupied by the Company for production, office and ancillary purposes.	28,713,000

*Notes:*

1. Pursuant to 10 Real Estate Title Certificates - Shen Fang Di Zi Di Nos. 5000583066, 5000583064, 5000583069, 5000583124, 5000583121, 5000583510, 5000583509, 5000583512, 5000583703 and 5000583704 dated 25 July 2013 and 26 July 2013, the land use rights of 2 parcels of land with a total site area of approximately 10,701 sq.m. have been granted to Shenzhen Pantai Electronic Co., Ltd ("Shenzhen Pantai"), a wholly-owned subsidiary of the Company, for terms expiring on 3 September 2042 for industrial and staff quarter uses and 2 buildings with a total gross floor area of approximately 9,716.90 sq.m. are owned by Shenzhen Pantai.
2. For the 3 buildings with a total gross floor area of approximately 2,922.54 sq.m. we have not been provided with any title certificates. In the valuation of this property, we have attributed no commercial value to the buildings which have not obtained any proper title certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings as at the date of valuation would be RMB1,743,000 assuming all relevant title certificates have been obtained and the building could be freely transferred.
3. We have been provided with a legal opinion regarding the property interest by the PRC Legal Adviser, which contains, inter alia, the following:
  - a. Shenzhen Pantai is legally in the possession of the land use rights certificates and building ownership certificates of the buildings mentioned in note 1; and

- b. Shenzhen Pantai has not obtained the building ownership certificates and has violated the relevant regulations when constructed the 3 buildings mentioned in note 2. Shenzhen Pantai may be asked to demolish these buildings and be liable to a fine of not more than RMB48,842.4 by relevant authorities. As at the legal opinion issue date, Shenzhen Pantai has not received any notice from the planning authorities or other relevant authorities to rectify or demolish these 3 buildings within a specified period or prohibit the use of the mentioned buildings.
4. As the property is the major asset held by the Company, we are of the view that the property is a material property.

Details of the material property:

- a) General description of location of the property : The property is located at Songgang Town which is at the side of Bao'an District. It is about 10 minutes drive from Songgang Town center. The property is directly accessible from the main road and the site of property is in irregular shape.
- b) Details of encumbrances, liens, pledges, mortgages against the property : Nil
- c) Environmental Issue : No environmental study is carried out.
- d) Details of investigations, notices, pending litigation, breaches of law or title defects : 3 buildings with a total gross floor area of approximately 2,922.54 sq.m. have not obtained the building ownership certificates and has violated the relevant regulations (please see note 2 and 3b for details).
- e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs : Nil

**SUMMARY OF THE CONSTITUTION OF THE COMPANY****1 Memorandum of Association**

1.1 The Memorandum of Association of the Company was filed on 28 October 2016 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the BVI Business Companies Act or any other law of the BVI.

**1.2 *Classes of Shares***

The Company is authorised to issue ordinary shares. Pursuant to the Memorandum of Association, the Company is authorised to issue a maximum number of 500,000,000 shares of one class of HK\$0.001 par value each.

**1.3 *Liability of members***

Pursuant to the Memorandum of Association, the liability of each member is limited to the amount unpaid on such member's shares. No alteration in the constitutional documents of the Company (namely the Memorandum of Association and the Articles of Association of the Company) shall increase an existing member's liability to the Company unless such increase is agreed by such member in writing.

**1.4 *Under the Memorandum of Association, each share confers on the holder:***

- (a) the right to receive notice of, attend and speak at any general meeting of the Company and to one vote on any Resolution of Members or Special Resolution of Members;
- (b) the right to an equal share in any dividend paid by the Company in accordance with the BVI Business Companies Act; and
- (c) the right to an equal share in the distribution of the surplus assets of the Company.

The Memorandum of Association is available for inspection at the address specified in Appendix VII in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection".

---

**APPENDIX V**                      **SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND THE BRITISH VIRGIN ISLANDS COMPANY LAW**

---

**2**     **Articles of Association**

The Articles of Association of the Company were filed on 28 October 2016 and include provisions to the following effect:

**2.1**     ***Directors***

(a)     *Power to allot and issue Shares*

Subject to the provisions of the BVI Business Companies Act and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased authorised shares) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by resolution of members and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return applicable to shares or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the BVI Business Companies Act and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution of members, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b)     *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the BVI Business Companies Act expressly directed or required to be exercised or done by resolution of members, but subject nevertheless to the provisions of the BVI Business Companies Act and of the Articles of Association and to any regulation from time to time made by resolution of members not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c)     *Compensation or payment for loss of office*

Payment 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 first be approved by resolution of members.

(d)     *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) 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 any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, 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 any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
  - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
  - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates 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.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by resolution of members or by the Directors, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by resolution of members remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by resolution of members appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by resolution of members elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

---

**APPENDIX V**                      **SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND THE BRITISH VIRGIN ISLANDS COMPANY LAW**

---

- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by a resolution of members under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or 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 (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled amounts owing on the shares in the Company or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. 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 a second or casting vote.

**2.2 *Alteration to constitutional documents***

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution of members.

---

**APPENDIX V**                      **SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND THE BRITISH VIRGIN ISLANDS COMPANY LAW**

---

**2.3** *Variation of rights of existing shares or classes of shares*

If at any time the authorised shares of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the BVI Business Companies Act, be varied 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 of members passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**2.4** *Alteration to the number of shares the Company is authorised to issue*

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by resolution of members, increase the maximum number of shares the Company is authorised to issue.

The Company may from time to time by resolution of members cancel any shares which at the date of the passing of the resolution of members have not been taken or agreed to be taken by any person, and diminish the maximum number of shares the Company is authorised to issue by the number of shares so cancelled subject to the provisions of the BVI Business Companies Act.

**2.5** *Special resolution — majority required*

A “special resolution of members” is defined in the Articles of Association as a resolution passed by a majority of not less than three-fourths 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 specifying the intention to propose the resolution as a special resolution of members has been duly given and includes a special resolution of members approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution of members so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, a “resolution of members” is defined in the Articles of Association 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 held in accordance with the Articles of Association and includes a resolution of members approved in writing by all the members of the Company aforesaid.

## **2.6 *Voting rights***

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by 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 proxy(ies) or representative(s) at any general meeting of the Company or at any general 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 entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

### ***2.7 Annual general meetings***

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

### ***2.8 Accounts and audit***

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the BVI Business Companies Act.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the BVI Business Companies Act or any other relevant law or regulation or as authorised by the Directors or by the resolution of members.

The Directors shall cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit and loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company may by resolution of members delegate the fixing of such remuneration to the Directors.

### *2.9 Notice of meetings and business to be conducted thereat*

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the number of issued shares in the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitioner, provided that such requisitioner held as at the date of deposit of the requisition not less than one-tenth of the number of issued shares in the Company which carries the right of voting at general meetings of the Company.

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution of members shall specify the intention to propose the resolution as a special resolution of members. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

**2.10 *Transfer of shares***

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and 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 of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 Business Days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company

---

**APPENDIX V**                      **SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND THE BRITISH VIRGIN ISLANDS COMPANY LAW**

---

closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by resolution of members determine provided that such period shall not be extended beyond 60 days in any year).

**2.11 *Power of the Company to purchase its own shares***

The Company is empowered by the BVI Business Companies Act and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members by resolution of members as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

**2.12 *Power of any subsidiary of the Company to own shares***

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

**2.13 *Dividends and other methods of distribution***

Subject to the BVI Business Companies Act and Articles of Association, the Directors may resolve to declare and pay dividends in any currency, if they are satisfied, on reasonable grounds, that immediately after the payment of the dividend, the value of the Company's assets will exceed its liabilities and the Company is able to pay its debts as they fall due.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company by resolution of members have resolved that a dividend be paid or declared on the shares in the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company 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 Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by resolution of members resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall 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 of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of a resolution of the members, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

**2.14 Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

**2.15 Calls on shares and forfeiture of shares**

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

---

**APPENDIX V                      SUMMARY OF THE CONSTITUTION OF OUR COMPANY  
AND THE BRITISH VIRGIN ISLANDS COMPANY LAW**

---

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, 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 Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

**2.16 *Inspection of register of members***

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 Business Days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the

newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by resolution of members determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

#### ***2.17 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, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.

#### ***2.18 Rights of minorities in relation to fraud or oppression***

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

#### ***2.19 Procedure on liquidation***

The Company may, by special resolution of members, approve a liquidation plan and appoint a voluntary liquidator for the voluntary winding up of the Company in accordance with the BVI Business Companies Act.

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the amounts paid up on the issued shares in the Company, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the amounts paid up on the issued shares in the Company, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the amounts paid up on the issued shares in the Company at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the amounts paid up on the issued shares in the Company at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of members and any other sanction required by the BVI Business Companies Act, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any 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 of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the BVI Business Companies Act, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

#### **2.20 *Untraceable members***

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

---

## **APPENDIX V                      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE BRITISH VIRGIN ISLANDS COMPANY LAW**

---

### **SUMMARY OF BRITISH VIRGIN ISLANDS COMPANY LAW AND TAXATION**

#### **1     Introduction**

The BVI Business Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the BVI Business Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the BVI Business Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

#### **2     Incorporation**

The Company was incorporated in the BVI under the International Business Companies Act, 1984 and was automatically re-registered under the BVI Business Companies Act on 1 January 2007. On 25 January 2016, the Company filed a notice of election to disapply Part IV of Schedule 2 of the BVI Business Companies Act. The Company is required to pay an annual fee each year to the Registrar of Corporate Affairs in the BVI and pay a fee which is based on the maximum number of shares the Company is authorised to issue.

#### **3     Shares**

One of the major features of the BVI Business Companies Act is that the concept of share capital has been abolished.

Instead, a company limited by, or otherwise authorised to issue shares, can now simply state in its memorandum of association the maximum number and classes of shares that the company is authorised to issue. Companies may also divide their shares (including those shares already in issue) into a larger number of shares or combine them into a smaller number of shares in the same class or series, provided that the maximum number of shares the company is permitted to issue is not exceeded. On any such division or combination of shares the aggregate par value (if any) of the new shares must be equal to the aggregate par value of the original shares.

The directors of a company can, at their discretion, issue shares in registered or bearer form (although in order to issue bearer shares there must be an express authorisation in the memorandum of association and such bearer shares must be held by an approved custodian) for such consideration and on such terms as they may determine.

Shares can be issued for consideration in any form, provided such consideration is not less than par value where the share is a par value share.

If so authorised by its memorandum of association, a company can issue more than one class of shares and, if so, the memorandum of association must also specify the rights, privileges, restrictions and conditions which attach to each class.

The BVI Business Companies Act provides that companies may issue redeemable shares, shares with no rights, limited rights or preferential rights to share in distributions, or shares with no or special or limited or conditional voting rights. They may also, subject to their memorandum of association and articles of association, issue bonus shares, partly or nil paid shares, and fractional shares.

The BVI Business Companies Act provides that a company may purchase, redeem or otherwise acquire its own shares, either in accordance with the procedure set out in the BVI Business Companies Act, or any other procedure as provided for in the memorandum of association and articles of association of the company.

Under the provisions in the BVI Business Companies Act and subject to the provisions of the company's memorandum and articles of association, the directors may make an offer for the company to purchase, redeem or otherwise acquire shares in the company provided that the offer is either (a) to all shareholders and would, if successful, leave the relative voting and distribution rights unaffected, or (b) to one or more shareholders and consented to in writing by all shareholders, or is otherwise permitted by the memorandum of association or articles of association. Where the offer is to one or more shareholders, the directors must pass a resolution to the effect that in their opinion the purchase, redemption or other acquisition would benefit the remaining shareholders, and the proposed offer is fair and reasonable to the company and the remaining shareholders.

Where an acquisition by a company of its own shares would be treated as a distribution, the conditions imposed on distributions (detailed in paragraph 5 below) must be met. The purchase, redemption or other acquisition by a company of its own shares is not deemed to be a distribution where it is effected pursuant to, inter alia, a right of a shareholder to have his shares redeemed or exchanged for money or other property of the company or where the share is redeemable at the option of the company.

#### **4 Financial Assistance**

There is no statutory restriction in the BVI on the provision of financial assistance by a company 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 due care, skill and diligence that they are acting in good faith, for a proper purpose and in the interests of the company, that such assistance can be given.

#### **5 Dividends and Distributions**

The directors of a company may only declare a distribution by the company if they are satisfied, on reasonable grounds, that the company will, immediately after the distribution, satisfy the solvency test set out in section 57(1) of the BVI Business Companies Act. A company satisfies the solvency test if the value of its assets exceeds its liabilities and it is able to pay its debts as they fall due.

**6     Shareholders' Remedies**

The BVI Business Companies Act has introduced a series of remedies available to shareholders. Where a company engages in activity which breaches the BVI Business Companies Act or the company's memorandum of association and articles of association, the court can issue a restraining or compliance order. Shareholders can also bring derivative, personal and representative actions under certain circumstances. The traditional English basis for shareholders' remedies has also been incorporated into the BVI Business Companies Act — where a shareholder of a company considers that the affairs of the company have been, are being or are likely to be conducted in a manner likely to be oppressive, unfairly discriminating or unfairly prejudicial to him, he may apply to the court for an order on such conduct.

**7     Disposal of Assets**

Under the BVI Business Companies Act and subject to the memorandum of association or articles of association of a company, any sale, transfer, lease, exchange or other disposition, other than a mortgage, charge or other encumbrance or the enforcement thereof, of more than 50 per cent in value of the assets of the company, if not made in the usual or regular course of the business carried on by the company, requires the approval of the shareholders.

The BVI Business Companies Act sets out the procedure that must be followed in relation to effecting such a disposal.

**8     Accounting and Auditing Requirements**

The BVI Business Companies Act requires that a company shall cause to be kept proper books of account that (a) are sufficient to show and explain the company's transactions; and (b) will, at any time, enable the financial position of the company to be determined with reasonable accuracy.

**9     Register of Members**

Under the BVI Business Companies Act a company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside of the BVI, as its directors may, from time to time, think fit. However either the register of members or a copy of the register of members of the company has to be kept at the office of its registered agent in the BVI.

There is no mandatory requirement under the BVI Business Companies Act for a company to make any filings of shareholder information to the Registrar of Corporate Affairs in the BVI. The names and addresses of the shareholders are, accordingly, not a matter of public record and are not available for public inspection.

**10 Inspection of Books and Records**

Subject to the BVI Business Companies Act, a shareholder of a company will have general right under the BVI Business Companies Act to inspect or obtain copies of the register of members, the register of directors and minutes of meetings and resolutions of members and of those classes of members of which he is a member. However, subject to the company's memorandum of association and articles of association, the directors may, if they are satisfied that it would be contrary to the company's interests to allow a shareholder to inspect any document (or part of a document) refuse to permit the shareholder to inspect the document or limit the inspection of the document, including limiting the making of copies or the taking of extracts from the records.

**11 Special Resolutions**

The BVI Business Companies Act does not define "special resolution". However a company's memorandum of association and articles of association may make provisions for varying threshold levels of votes required to pass a resolution and require that certain matters may only be approved if passed by a certain percentage of votes.

**12 Subsidiary Owning Shares in Parent**

The BVI Business Companies Act does not prohibit a BVI company acquiring and holding shares in its parent company. The directors of any subsidiary making such acquisition must discharge their duties of care and to act honestly and in good faith and in what the director believes to be in the best interests of the company.

Under the BVI Business Companies Act:

- (a) a director of a company that is a wholly-owned subsidiary may, when exercising powers or performing duties as a director, if expressly permitted to do so by the memorandum of association and articles of association of the company, act in a manner which he believes is in the best interests of that company's holding company even though it may not be in the best interests of the company.
- (b) a director of a company that is a subsidiary, but not a wholly-owned subsidiary, may, when exercising powers or performing duties as a director, if expressly permitted to do so by the memorandum of association or articles of association of the company and with the prior agreement of the shareholders, other than its holding company, act in a manner which he believes is in the best interests of that company's holding company even though it may not be in the best interests of the company.
- (c) a director of a company that is carrying out a joint venture between the shareholders may, when exercising powers or performing duties as a director in connection with the carrying out of the joint venture, if expressly permitted to do so by the memorandum of association or articles of association of the company, act in a manner which he believes is in the best interests of a shareholder or shareholders, even though it may not be in the best interests of the company.

**13 Mergers and Consolidations**

Under the BVI Business Companies Act two or more companies, each a “constituent company”, may merge or consolidate.

A merger involves merging two or more companies into one of the constituent companies that will remain as the surviving company and a consolidation involves two or more companies consolidating into a new company. Subject to the memorandum of association and articles of association of the company a merger or consolidation must be authorised by a resolution of shareholders of every class of shares entitled to vote on the merger.

There are differing procedures depending on the type of merger that is taking place. Under the BVI Business Companies Act a merger may occur between any of the following:

- (a) two or more companies incorporated under the BVI Business Companies Act;
- (b) one or more companies incorporated under the BVI Business Companies Act and one or more companies incorporated under the laws of a jurisdiction outside the BVI, with the BVI company as the surviving entity;
- (c) one or more companies incorporated under the BVI Business Companies act and one or more companies incorporated under the laws of a jurisdiction outside the BVI, with the foreign company as the surviving entity;
- (d) a parent company and one or more of its subsidiaries where the companies are incorporated under the BVI Business Companies Act;
- (e) a parent company and one or more of its subsidiaries where one or more companies are incorporated under the BVI Business Companies Act and one or more companies are incorporated under the laws of a jurisdiction outside the BVI, with the BVI company as the surviving entity; or
- (f) a parent company and one or more of its subsidiaries where one or more companies are incorporated under the BVI Business Companies Act and one or more companies are incorporated under the laws of a jurisdiction outside the BVI, with the foreign company as the surviving entity.

Under the BVI Business Companies Act, a shareholder of a company is entitled to payment of the fair value of his shares upon dissenting from:

- (a) a merger, if the company is a constituent company, unless the company is the surviving company and the shareholder continues to hold the same or similar shares; or
- (b) a consolidation, if the company is a constituent company.

The BVI Business Companies Act sets out the procedure that must be followed in effecting dissenters' rights. Ultimately, if the company and the dissenting shareholder fail to agree on the price to be paid for the shares owned by the dissenting shareholder, then the statutory procedure provides that the fair value of the shares owned by the dissenting shareholder is fixed by three appraisers.

#### **14 Redemption of Minority Shares**

Under the BVI Business Companies Act and subject to the memorandum of association or articles of association of a company, shareholders of a company holding 90 per cent of the votes of the outstanding shares entitled to vote; and shareholders of a company holding 90 per cent of the votes of the outstanding shares of each class of shares entitled to vote as a class, may give a written instruction to the company directing it to redeem the shares held by the remaining shareholders. Upon receiving this direction, the company must redeem the shares it has been directed to redeem and must give written notice to each shareholder stating the redemption price and the manner by which the redemption will be effected.

The shareholders having their shares compulsorily redeemed may dissent from the compulsory redemption and be entitled to receive fair value for their shares. The BVI Business Companies Act sets out the procedure that must be followed in effecting dissenters' rights. Ultimately, if the company and the dissenting shareholder fail to agree on the price to be paid for the shares owned by the dissenting shareholder, then the statutory procedure provides that the fair value of the shares owned by the dissenting shareholder is fixed by three appraisers.

#### **15 Indemnification**

BVI law in general does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, subject to the conditions set out in the BVI Business Companies Act (e.g. the officer or director has acted honestly and in good faith and in what he believed to be in the best interests of the company and, in the case of criminal proceedings, that officer or director had no reasonable cause to believe that his conduct was unlawful).

#### **16 Liquidation**

A company is placed in liquidation either by an order of the court or by a resolution of directors or shareholders. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

#### **17 Stamp Duty on Transfers**

No stamp duty is payable in the BVI on transfers of shares of BVI companies.

**18 Taxation**

Companies incorporated or registered under the BVI Business Companies Act are currently exempt from income and corporate tax. In addition, the BVI currently does not levy capital gains tax on companies incorporated or registered under the BVI Business Companies Act.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the BVI with respect to any shares, debt obligation or other securities of the Company.

**19 Exchange Control**

There are no exchange control regulations or currency restrictions in the BVI.

**20 General**

Maples and Calder, the Company's legal advisers on BVI law, have sent to the Company a letter of advice summarising aspects of BVI company law. This letter, together with a copy of the BVI Business Companies Act, is available for inspection as referred to in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix VII. Any person wishing to have a detailed summary of BVI company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES****1. Incorporation**

Our Company was incorporated in the BVI under the International Business Companies Act, 1984 on 27 December 1990 and was automatically re-registered under the BVI Business Companies Act on 1 January 2007. Our registered office is at 3<sup>rd</sup> Floor, J&C Building, P.O. Box 362, Road Town, Tortola, British Virgin Islands. We have established a principal place of business in Hong Kong at Flat/RM1603A, 16/F, Tower 2, Nina Tower, 8 Yeung Uk Road, Tsuen Wan, Hong Kong and have registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 20 November 2015. Mr. Hsu 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 BVI, it is subject to the relevant laws of the BVI, and to its constitution, which comprises the Memorandum and the Articles. A summary of various provisions of its constitution and relevant aspects of the Companies Act is set out in “Appendix V — Summary of the Constitution of our Company and the British Virgin Islands company law” to this prospectus.

**2. Change in Shares of our Company**

As at the date of incorporation, our Company was authorised to issue 50,000 ordinary shares with a par value of US\$1.00 each. The following sets out the changes in our Company’s shares since the date of its incorporation:

- (a) On 28 October 1991, 66 and 34 ordinary shares of a par value of US\$1.00 each were allotted, issued and credited as fully paid to HDL Investment Limited and Starlight Industrial Holdings Limited, respectively, as the initial subscribers.
- (b) On 28 March 1993, another 66 and 34 ordinary shares of a par value of US\$1.00 each were allotted, issued and credited as fully paid to HDL Investment Limited and Starlight Industrial Holdings Limited, respectively.
- (c) On 28 March 1994, HDL Investment Limited and Starlight Industrial Holdings Limited transferred 132 ordinary shares and 68 ordinary shares, of a par value of US\$1.00 each, at par respectively to UPI (currently a listed company on the Main Board of the Stock Exchange with stock code: 0176).
- (d) On 30 May 2014, the 200 ordinary shares of a par value of US\$1.00 each held by UPI (stock code: 0176) were transferred to New Wave.

- (e) On 15 January 2016, pursuant to the written resolutions of the sole Shareholder of the Company, the maximum number of Shares that the Company was authorised to issue was changed to 50,000,000 Shares of a par value of HK\$0.001 each. At that time, 200,000 Shares were issued and allotted to New Wave at par, whilst the 200 ordinary shares of US\$1.00 par value each in the Company originally held by New Wave were repurchased by the Company and cancelled.
- (f) On 29 March 2016, pursuant to the written resolutions of the sole Shareholder of the Company, the maximum number of Shares that the Company was authorised to issue was further changed to 500,000,000 Shares of a par value of HK\$0.001 each.
- (g) Immediately following completion of the Capitalisation Issue and the Share Offer, and taking no account of any Share to be issued upon the exercise of any options which may be granted under the Share Option Scheme, 300,000,000 Shares will be issued and fully paid or credited as fully paid, and 200,000,000 Shares will remain unissued.
- (h) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “A. Further Information about our Company and our subsidiaries — 3. Written resolutions of our sole Shareholder passed on 27 October 2016” in this appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued Shares of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (i) Save as disclosed in this prospectus, there has been no alteration in our Company’s authorised and issued shares since its incorporation.

### 3. Written resolutions of our sole Shareholder passed on 27 October 2016

On 27 October 2016, resolutions in writing were passed by our sole Shareholder pursuant to which, amongst others:

- (a) our Company approved and adopted the Memorandum and the Articles and authorised their filing with the Registrar of Corporate Affairs in the BVI and thereby give effect to the same upon filing;
- (b) conditional on both (i) the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme); and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with its terms or otherwise, in each case on or before the date falling 30 days after the date of the issue of this prospectus:
  - (i) the Share Offer was approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer to rank pari passu with the then existing Shares in all respects;

- (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” below in this appendix, were approved and adopted and our Directors were authorised, at their absolute discretion but subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
  - (iii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, the Capitalisation Issue was approved, and our Directors were authorised to capitalise an amount of HK\$236,800 standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par 236,800,000 Shares for allotment and issue to the person(s) whose name(s) appear on the register of members of our Company at the close of business on 26 October 2016 in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in our Company, each ranking pari passu in all respects with the Shares then in issue, and our Directors were authorised to give effect to such capitalisation and distributions;
- (c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles of Association or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the Share Offer, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities, and to make or grant offers, agreements or options which might require the exercise of such power, with such number of Shares not exceeding 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, such mandate to remain in effect until the earliest of:
- (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 the Memorandum and the Articles or the Companies Act or any other applicable laws of the BVI to be held; or
  - (iii) the time when such mandate is revoked or varied by a resolution of our Shareholders in general meeting.

- (d) 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 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 such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Share Offer but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, such mandate to remain in effect until the earliest of:
- (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 the Memorandum and the Articles or the Companies Act or any other applicable laws of the BVI to be held; or
  - (iii) the time when such mandate is revoked or varied by a resolution of our Shareholders in general meeting.
- (e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to such number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and Share Offer but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme.

#### 4. Corporate reorganisation

In preparing 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:

- (a) On 15 January 2016, pursuant to the written resolutions of the sole shareholder of the Company, the denomination of the shares in the Company was changed from USD to HKD such that the maximum number of shares that the Company was authorised to issue changed from 50,000 ordinary shares of US\$1.00 par value each to 50,000,000 Shares of HK\$0.001 par value each. The Company also issued 200,000 ordinary shares of par value HK\$0.001 each to New Wave and repurchased and cancelled the 200 ordinary shares of par value US\$1.00 each in the Company held by New Wave for a repurchase price of HK\$200 (the amount of which was set off against the amount payable by New Wave in respect of the 200,000 ordinary shares issued to it);
- (b) On 29 March 2016, pursuant to the written resolutions of the sole shareholder of the Company, the maximum number of Shares that the Company was authorised to issue was further increased from 50,000,000 Shares of HK\$0.001 each to 500,000,000 Shares of HK\$0.001 each; and

- (c) On 20 April 2016, Pantene Industrial entered into a deed of assignment with an Independent Third Party, pursuant to which the assignee will acquire the shareholding of Pantene Industrial in Pantene Philippines and be assigned with a loan amount due to an affiliate of Pantene Philippines as of 31 March 2015 in the amount of 3,202,568.00 Pesos at a cash consideration of US\$1.00, for the negative net book value of Pantene Philippines.

## 5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant's Report of our Company, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the paragraphs headed "A. Further Information about our Company and our subsidiaries — 4. Corporate reorganisation" in this appendix and in the section headed "History, reorganisation and group structure" in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

## 6. Repurchase of our Shares

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of Shares by our Company.

### (a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board to repurchase securities on the Stock Exchange subject to certain restrictions, a summary of which is set out below:

#### (i) Shareholder's approval

The Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

*(Note: Pursuant to the written resolutions passed by our Shareholders on 27 October 2016, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares 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, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of 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 Memorandum and the Articles or the Companies Act or any other applicable laws of the BVI to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.)*

#### (ii) Source of funds

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the BVI and the Listing Rules. Our Company may not repurchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

The Articles and the laws of BVI provide that our Company may not repurchase its own shares unless (i) the value of our Company's assets exceeds its liabilities, and (ii) our Company is able to pay its debts as they fall due.

(iii) *Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person" (as defined in the Listing Rules), which includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or associate of any of them, and a core connected person shall not knowingly sell Shares to our Company on the Stock Exchange.

(b) *Exercise of the Repurchase Mandate*

On the basis of 300,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer, our Directors would be authorised under the Repurchase Mandate to repurchase up to 30,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid-up.

(c) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) *Funding of repurchases*

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the BVI.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) *General*

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

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, the Articles and the applicable law and regulations from time to time in force in the BVI.

If as a result of a repurchase of Shares 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. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may 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 disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of the Shares pursuant to the Repurchase Mandate. At present, so far as is known to the Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## **B. FURTHER INFORMATION ABOUT THE BUSINESS**

### **1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:

- (a) a deed of assignment dated 20 April 2016 entered into between Pantene Industrial and an Independent Third Party, pursuant to which Pantene Industrial agreed to transfer its shareholding in Pantene Philippines and assign a loan amount due to an affiliate of Pantene Philippines as of 31 March 2015 in the amount of 3,202,568.00 Pesos to the assignee at a cash consideration of US\$1.00, for the negative net book value of Pantene Philippines;

- (b) the Deed of Non-competition;
- (c) the Deed of Indemnity; and
- (d) the Public Offer Underwriting Agreement.

## 2. Intellectual property rights of our Group

### (a) *Trademark*

As at the Latest Practicable Date, our Group has registered the following trademarks which we consider are material to our business:

Trademark	Class	Registration number	Registration Date	Expiry Date	Place of registration	Registrant
 PANTENE INDUSTRIAL	9	1996B05381	4 May 1993	4 May 2024	Hong Kong	Pantene Industrial Co. Limited
 PANTENE INDUSTRIAL CO., LTD.	9	1996B05383	4 May 1993	4 May 2024	Hong Kong	Pantene Industrial Co. Limited
 PANTENE	9	1996B05382	4 May 1993	4 May 2024	Hong Kong	Pantene Industrial Co. Limited
 PANTENE	9	199604076 1399380	4 May 1993 21 May 2000	4 May 2024 20 May 2020	Hong Kong PRC	Pantene Industrial Co. Limited
	9	1996B04077 1384331	4 May 1993 14 April 2000	4 May 2024 13 April 2020	Hong Kong PRC	Pantene Industrial Co. Limited
 PANTRONICS HOLDINGS LIMITED 积成控股有限公司	36	303615985	2 December 2015	1 December 2025	Hong Kong	Pantronics Holdings Limited

### (b) *Domain names*

As at the Latest Practicable Date, our Group has registered the following domain names which we consider are material to our business:

Domain name	Registrant	Registration Date
Pantene.com.hk	Pantene Industrial Co. Limited	11 September 1998
Pantronicshk.com	Pantronics Holdings Limited	24 November 2015

## 3. Information about the subsidiaries of our Group

**Shenzhen Pantai Electronic Co., Ltd. 深圳品泰電子有限公司**

Name	Shenzhen Pantai Electronic Co., Ltd.
Place of establishment	PRC
Date of establishment	9 April 1994
Corporate nature	Limited liability company (wholly-owned foreign enterprise)
Total registered capital and paid-up registered capital	US\$1,700,000
Attributable effective interest of our Company	100%
Term	Until 9 April 2034
Scope of business	<p>Manufacturing of all sorts of small-sized transformers, hi-frequency transformers, battery chargers. 70% to be exported.</p> <p>Increased scope: manufacturing plastic products, metal products, electrical wire products. 70% to be exported.</p> <p>Increased scope: manufacturing of small home electronic appliances.</p> <p>Increased scope: manufacturing of wireless intercoms.</p> <p>Increased scope: manufacturing a combination of rechargeable batteries.</p> <p>Increased scope: manufacturing of circuit boards, electric filters, electronic power converters, induction lighting components.</p> <p>Increased scope: developing and manufacturing of solenoid coils.</p> <p>Increased scope: manufacturing of digital cameras, music players, flash disk.</p> <p>Increased scope: manufacturing molds, electric shavers, socket and plug cords, fuse, reel, lamp holder, fiber paper and PVC film.</p>
Legal representative	Henry Woon-hoe Lim
Directors	<p>Henry Woon-hoe Lim (Chairman)</p> <p>Ho Hon Ching</p> <p>Fung Chow Man</p> <p>Hsu Simon Nai-cheng</p>

**Pantronics International Holdings Limited** 品德國際集團有限公司

Name	Pantronics International Holdings Limited
Place of Incorporation	Hong Kong
Date of Incorporation	1 July 1993
Corporate nature	Private limited liability company
Authorised share capital and paid-up registered capital	HK\$10,000 divided into 10,000 shares of HK\$1.00 each
Issued shares	10 shares of HK\$1.00 each
Current shareholder	The Company
Directors	Henry Woon-hoe Lim Som Wai Tong Ivan

**Panjet Service Company Limited** 品捷有限公司

Name	Panjet Service Company Limited
Place of Incorporation	Hong Kong
Date of Incorporation	15 January 1991
Corporate nature	Private limited liability company
Authorised share capital and paid-up registered capital	HK\$10,000 divided into 10,000 shares of HK\$1.00 each
Issued shares	2 shares of HK\$1.00 each
Current shareholder	The Company
Directors	Henry Woon-hoe Lim Som Wai Tong Ivan

**Pantene Industrial Co. Limited** 品頂實業有限公司

Name	Pantene Industrial Co. Limited
Place of Incorporation	Hong Kong
Date of Incorporation	30 December 1983
Corporate nature	Private limited liability company
Authorised share capital and paid-up registered capital	HK\$200,000 divided 2,000 shares of HK\$100.00 each
Issued shares	100 shares of HK\$100 each
Current shareholder	The Company
Directors	Henry Woon-hoe Lim Som Wai Tong Ivan Ho Hon Ching

**Panjet (Int'l) Limited**

Name	Panjet (Int'l) Limited
Place of Incorporation	BVI
Date of Incorporation	18 August 1992
Corporate nature	Private limited liability company
Authorised share capital and paid-up registered capital	US\$50,000 divided into 50,000 shares of US\$1.00 each
Issued shares	1 share of US\$1.00 each
Current shareholder	the Company
Directors	Henry Woon-hoe Lim Som Wai Tong Ivan

**Pantronics (Int'l) Limited**

Name	Pantronics (Int'l) Limited
Place of Incorporation	BVI
Date of Incorporation	22 July 1991
Corporate nature	Private limited liability company
Authorised share capital and paid-up registered capital	US\$50,000 divided into 50,000 shares of US\$1.00 each
Issued shares	1 share of US\$1.00 each
Current shareholder	the Company
Directors	Henry Woon-hoe Lim Som Wai Tong Ivan

**Grace Harvest Corporation Limited 雅沛有限公司**

Name	Grace Harvest Corporation Limited
Place of Incorporation	Hong Kong
Date of Incorporation	8 July 2014
Corporate nature	Private limited liability company
Authorised share capital and paid-up registered capital	HK\$1.00
Issued shares	1 share
Current shareholder	the Company
Director	Hsu Simon Nai-cheng

**Pin Xin International Limited** 品新國際有限公司

Name	Pin Xin International Limited
Place of Incorporation	Hong Kong
Date of Incorporation	29 November 1994
Corporate nature	Private limited liability company
Authorised share capital and paid-up registered capital	HK\$10,000 divided into 10,000 shares of HK\$1.00 each increased to HK\$50,000.00 divided into 50,000 Shares of HK\$1.00 each
Issued shares	10,000 shares of HK\$1.00 each
Current shareholder	Pantronics International Holdings Limited
Directors	Henry Woon-hoe Lim Som Wai Tong Ivan

**Pan Electrium Industrial Company Limited** 品力實業有限公司

Name	Pan Electrium Industrial Company Limited
Place of Incorporation	Hong Kong
Date of Incorporation	4 March 1998
Corporate nature	Private limited liability company
Authorised share capital and paid-up registered capital	HK\$5,000,000 divided into 5,000,000 shares of HK\$1.00 each
Issued shares	5,000,000 shares of HK\$1.00 each
Current shareholder	Pantene Industrial Company Limited
Directors	Henry Woon-hoe Lim Som Wai Tong Ivan

**Pantene Electronics North America Inc.**

Name	Pantene Electronics North America Inc.
Place of Incorporation	United States of America
Date of Incorporation	26 August 2005
Corporate nature	Private limited liability company
Authorised share capital and paid-up registered capital	US\$25,000 divided into 25,000 shares of US\$1.00 each
Issued shares	1 share of US\$1.00 each
Current shareholder	Pantene Industrial Co. Ltd.
Director	Henry Woon-hoe Lim

**C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS**

**1. Disclosure of Interests**

**(a) *Interests of Directors and chief executive in shares, underlying shares and debentures of our Company and its associated corporations***

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking account any Shares to be issued upon exercise of any options which may be granted under the Share Option scheme), the interests and short positions of our Directors or chief executive of our Company in Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required pursuant to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“Model Code”) to be notified to our Company and the Stock Exchange, will be as follows:

**a. *Long position in the Shares***

<b>Name</b>	<b>Capacity/nature of interest</b>	<b>Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Share Offer</b>	<b>Percentage of shareholding immediately following completion of the Capitalisation Issue and the Share Offer</b>
Mr. Hsu	Interest of a controlled corporation ( <i>Note 1</i> )	210,000,000	70%

*Note:*

- (1) Mr. Hsu beneficially owns all of the issued shares of SNH Global, and SNH Global beneficially owns all of the issued shares of New Wave. Therefore, Mr. Hsu is deemed, or taken to be, interested in the Shares held by New Wave for the purposes of the SFO. Mr. Hsu is a director of SNH Global and New Wave.

**b. *Long position in the share of associated corporations***

<b>Name</b>	<b>Name of associated corporation</b>	<b>Capacity/nature of interest</b>	<b>Number of share held/interested</b>	<b>Percentage of shareholding</b>
Mr. Hsu	SNH Global	Beneficial owner	5,001	100%
Mr. Hsu	New Wave	Beneficial owner	1	100%

(b) *Interests of substantial and other Shareholders in the Shares and underlying Shares*

So far as is known to our Directors and taking no account any Shares which may be issued pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following completion of the Capitalisation Issue and the Share Offer, have interests or long or short positions in Shares or underlying Shares which would fall to be disclosed to our Company 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 nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries:

*Long position in the Shares*

<b>Name</b>	<b>Capacity/nature of interest</b>	<b>Number of share held/ interested</b>	<b>Percentage of shareholding</b>
New Wave	Beneficial owner	210,000,000	70%
SNH Global	Interest of a controlled corporation ( <i>Note 1</i> )	210,000,000	70%
Ms. Ng Mei Yi Diana	Interest of spouse ( <i>Note 2</i> )	210,000,000	70%

*Notes:*

- (1) SNH Global beneficially owns all of the issued shares of New Wave. Therefore, SNH Global is deemed or taken to be, interested in the Shares held by New Wave for the purpose of the SFO.
- (2) Ms. Ng Mei Yi Diana is the spouse of Mr. Hsu. Accordingly, Ms. Ng Mei Yi Diana is deemed, or taken to be, interested in the Shares which Mr. Hsu is interested in for the purpose of the SFO.

**2. Particulars of service agreements**

- (a) Each of the executive Directors has entered into a service contract with our Company up to a term of three years commencing from the Listing Date, which may be terminated in accordance with the terms of the service contracts.
- (b) The non-executive Director has entered into a service contract with our Company up to a term of three year commencing from the Listing Date, which may be terminated in accordance with the terms of the service contract.
- (c) Each of the independent non-executive Director has signed a letter of appointment with our Company up to a term of three years commencing from the Listing Date, which may be terminated in accordance with the terms of the service contract.

### 3. Remuneration of Directors

- (a) No fees, salaries, contributions to pension scheme, discretionary bonuses, housing and other benefits in kind were granted to the Directors in respect of each of the years ended 30 September 2013, 2014 and 2015.
- (b) The aggregate emoluments and benefits paid to the Directors in respect of the eight months ended 31 May 2016 were approximately HK\$485,000.
- (c) No emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) were payable by our Group to our Directors for the years ended 30 September 2013, 2014 and 2015.
- (d) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<i>HK\$</i>
<i>Executive Directors</i>	
Henry Woon-hoe Lim	3,075,600
Ho Hon Ching	1,339,596
<i>Non-executive Director</i>	
Hsu Simon Nai-Cheng	300,000
<i>Independent non-executive Directors</i>	
Pochin Christopher Lu	200,000
Danny J Lay	200,000
Hui Leung Ching Patricia	200,000

### 4. Agency fees or commissions received

Save as disclosed in the section headed “Underwriting” in this prospectus, and in the paragraph headed “E. Other Information — 3. Sponsor” in this appendix, none of our Directors or the experts named in the paragraph headed “E. Other Information — 8. Consents of experts” in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

### 5. Related party transactions

Details of the related party transactions are set out under Note 36 to the Accountant’s Report of our Company set out in Appendix I to this prospectus.

## 6. Disclaimers

Save as disclosed herein:

- (a) taking no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to in the paragraph headed “A. Further information about our Company and our subsidiaries” in this appendix, and taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Capitalisation Issue and the Share Offer, have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company 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 nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries;
- (b) taking no account of any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, none of our Directors or chief executive of our Company has any interest or short position in shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;
- (c) none of the Directors or the experts named in the paragraph headed “E. Other information — 7. Qualifications of experts” in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of the Directors or the experts named in the paragraph headed “E. Other information — 7. Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) none of the Directors or the experts named in the paragraph headed “E. Other information — 7. Qualifications 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;

- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued shares of our Company has any interests in the 5 largest customers or the 5 largest suppliers of our Group;
- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

#### D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme. Conditionally approved and adopted by a written shareholder's resolution of our Company dated 27 October 2016, it does not form part of, nor was it intended to be part of the Share Option Scheme, nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

##### (a) *Summary of terms*

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholder passed on 27 October 2016:

##### (i) *Purpose of Share Option Scheme*

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of our Group and to promote the success of the business of our Group.

##### (ii) *Who may join and basis of eligibility*

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his/her contribution or potential contribution to the development and growth of our Group.

*(iii) Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the new issue price shall be used as the closing price for any Business Day fall within the period before listing.

*(iv) Grant of options and acceptance of offers*

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.00.

*(v) Maximum number of Shares*

- (aa) subject to sub-paragraphs (ii) and (iii) above, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 30,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 30,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (bb) the 10% limit as mentioned above may be refreshed at any time by obtaining approval of our Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to our Shareholders containing the information as required under the Listing Rules in this regard.

- (cc) subject to sub-paragraph (dd) below, our Company may seek separate approval of our Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the Listing Rules.
- (dd) the aggregate 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 must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company if this will result in such 30% limit being exceeded.

(vi) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his/her close associates abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) *Grant of options to certain connected persons*

- (aa) Any grant of an option to a Director, chief executive or Substantial Shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
  - a. representing in aggregate over 1% of the Shares in issue; and

- b. having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000.00, such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any core connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) *Restrictions on the times of grant of options*

- (aa) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, no option may be granted during the period commencing one month immediately before the earlier of:
  - a. the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for approving our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
  - b. the deadline for our Company to announce its results for any year, half-year or quarterly period under the Listing Rules, or other interim period (whether or not required under the Listing Rules).
- (bb) Further to the restrictions in paragraph (aa) above, no option may be granted on any day on which financial results of our Company are published and:
  - a. 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
  - b. during the period of 30 days immediately preceding the publication date of the quarterly results 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.

(ix) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) *Performance targets*

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) *Ranking of shares*

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) *Rights are personal to grantee*

An option shall not be assignable and shall be personal to the grantee of the option.

(xiii) *Rights on cessation of employment by death*

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his/her death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his/her death or within such period of 12 months following his/her death, then his/her personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) *Rights on cessation of employment by dismissal*

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group on any one or more of the grounds that he/she has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his/her option shall lapse automatically (to the extent not already exercised) on the date of cessation of his/her employment with our Group.

*(xv) Rights on cessation of employment for other reasons*

In the event that the grantee is an employee of our Group at the date of grant and he/she subsequently ceases to be an employee of our Group for any reason other than his/her death or the termination of his/her employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

*(xvi) Effects of alterations to shares*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the authorised and issued Shares (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices of any unexercised option, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification is required in case of adjustment made on a capitalisation issue), provided that any alteration shall give a grantee as near as possible the same proportion of the issued shares of our Company as that to which he/she was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

*(xvii) Rights of general offer*

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his/her legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

*(xviii) Rights on winding-up*

In the event a notice is given by our Company to the 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 on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options at any time not later than two Business Days prior to the proposed general meeting of our Company 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 referred to above, allot the relevant Shares to the grantee credited as fully paid.

*(xix) Rights on compromise or arrangement*

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Business Companies Act, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to our Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“Suspension Date”), 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 practicable and, in any event, no later than 3:00p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, 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. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued Shares on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of its officers.

*(xx) Lapse of options*

An option shall lapse automatically on the earliest of:

(aa) the expiry of the period;

- (bb) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xiv), (xv), (xvii), (xviii) or (xix) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his/her creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his/her integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) *Cancellation of options granted but not exercised*

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxii) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by our Shareholders in general meeting.

(xxiii) *Alteration to the Share Option Scheme*

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of our Shareholders in general meeting.
- (bb) Any alteration to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the Listing Rules or any guidelines issued by the Stock Exchange from time to time.

(xxiv) *Termination of Share Option Scheme*

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional on the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, the Shares may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and commencement of dealings in the Shares on the Stock Exchange.

## **E. OTHER INFORMATION**

### **1. Tax and other indemnities**

The Controlling Shareholders have, entered into the Deed of Indemnity in favour of our Company (for itself and as trustee for its subsidiaries) referred to in paragraph 1(c) of the sub-section headed “Summary of material contracts” in this appendix, pursuant to which the Controlling Shareholders have given indemnities in favour of our Group from and against, among other things, (a) any tax liability which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received up to the Listing Date; or (ii) in respect of or resulting from any act, omission or event occurring up to the Listing Date; and (b) any action, claims, losses, charges, penalties which any member of the Group may incur or suffer as a result of or in connection with any failure to comply with relevant laws and regulations up to the Listing Date, and the reasonable costs and expenses incurred in connection with the actions, claims, legal or arbitration proceedings related thereto.

The Controlling Shareholders will, however, not be liable under the Deed of Indemnity for taxation to the extent that, among others:

- (a) to the extent that provision, reserve or allowance has been made for such taxation liability in the audited accounts of any member of our Group for each of the three years ended 30 September 2013, 2014 and 2015 and for the eight months ended 31 May 2016; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date of Deed of Indemnity; or

- (c) to the extent any provisions or reserve made for taxation in the audited accounts of our Group or any member of our Group up to 31 May 2016 which is finally established to be an over-provision or an excessive reserve then the amount of any such provision or reserve shall be applied to reduce the Controlling Shareholders' liability by an amount not exceeding such over-provision on excess reserve; or
- (d) the taxation liability arises in the ordinary course of business of our Group after the Listing Date.

In the event that the Controlling Shareholders have indemnified our Group of any tax liability and payment arising from any additional assessment by any tax authority pursuant to the Deed of Indemnity referred to above, our Company shall disclose such fact and relevant details by way of an announcement immediate after the payment of indemnification by the Controlling Shareholders.

The Controlling Shareholders have also undertaken to indemnify our Group, on a joint and several basis, against any costs, expenses, claims liability, penalties, losses or damages incurred or suffered by our Group arising from or in connection with the non-compliance as referred to in the section headed "Business — Non-compliance matters" in this prospectus.

The Directors have been advised that no material liability for estate duty under the laws of the BVI is likely to fall on our Group.

## **2. Litigation**

Our Directors confirmed that save as disclosed in the section headed "Business — Legal proceedings" of this prospectus as at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of our Group.

## **3. Sponsor**

The Sole Sponsor has made an application on behalf of our Company to the Listing Division for listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under the Listing Rules.

The fee payable by our Company to the Sole Sponsor to act as sponsor in relation to the Listing is HK\$6.5 million, and the Sole Sponsor will be reimbursed for their expenses properly incurred in connection with the Share Offer.

**4. Preliminary expenses**

The preliminary expenses relating to the incorporation of our Company were approximately HK\$8,000 and were payable by our Company.

**5. Promoter**

Our Company has no promoter within two years preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter in connection with the Share Offer or the related transactions described in this prospectus.

**6. Compliance Adviser**

Our Company has appointed Octal Capital Limited as the compliance adviser upon Listing in compliance with Rule 3A.19 of the Listing Rules.

**7. Qualifications of experts**

The following are the respective qualifications of the experts who have given their opinion or advice which are contained in this prospectus:

<b>Name</b>	<b>Qualifications</b>
Octal Capital Limited	A licensed corporation under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activity as defined under the SFO
BDO Limited	Certified Public Accountants
BDO Tax Limited	Tax adviser to the Company
Lixin Certified Tax Agents Co. Ltd.	Tax adviser to the Company with respect to transfer pricing arrangement of the Group
Maples and Calder	Legal adviser to BVI law
CKR Law LLP	Legal adviser to U.S. law
Fortun Narvasa & Salazar	Legal adviser to Philippines law
King & Wood Mallesons	Legal adviser to PRC law
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Chartered surveyor firm
Euromonitor International Limited	Industry consultant
Mr. David Fong	Barrister-at-law of Hong Kong

**8. Consents of experts**

Each of the parties listed in the paragraph headed “Qualifications of experts” in this appendix has given and has not withdrawn its/his written consent to the issue of this prospectus, with the inclusion of its/his letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or references to its/his name included herein in the form and context in which they respectively appear.

**9. 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.

**10. Registration procedures**

The principal register of members of our Company in the BVI will be maintained by Maples Fund Services (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited, our Hong Kong Branch Share Registrar. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Hong Kong Branch Share Registrar in Hong Kong and may not be lodged in the BVI. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

**11. No material adverse change**

Save as disclosed in the section headed “Financial information — No material adverse change” in this prospectus, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or our subsidiaries since 31 May 2016 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the Latest Practicable Date.

**12. Taxation of holders of Shares****(a) Hong Kong**

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

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

**(b) BVI**

Under the present laws of the BVI, there is no stamp duty payable in the BVI on transfers of Shares.

(c) *Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in any 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 parties involved in the Share Offer accepts 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.

**13. Particulars of the Selling Shareholder**

New Wave is a BVI business company incorporated on 8 October 2013 under the laws of BVI whose registered office is at 263 Main Street, P.O. Box 2196, Road Town, Tortola, BVI. The Sale Shares, being an aggregate of 27,000,000 Shares, are offered by New Wave for sale under the Placing.

**14. Miscellaneous**

(a) Save as disclosed in this Prospectus:

(i) within the two years immediately preceding the date of this prospectus:

(aa) no share or loan capital of our Company or any of its subsidiaries has been issued, agreed to be issued or is proposed or intended to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) 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 its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of its subsidiaries; and

(cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any shares or debenture of our Company or any of its subsidiaries;

(ii) no founder, management or deferred shares or any debentures of our Company have been issued or agreed to be issued;

(iii) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(iv) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;

- (v) none of the expert named in the section headed “Statutory and general information — E. Other information — 7. Qualifications of experts” to this prospectus:
  - (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or
  - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;
- (vi) our Company and our subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (vii) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (viii) our Group has no outstanding convertible debt securities; and
- (ix) the English text of this prospectus shall prevail over the Chinese text.

#### **15. Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

---

## **APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION**

---

### **DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (a) copies of each of the Application Forms; (b) written consents referred to in the section headed “Statutory and general information — E. Other information — 8. Consents of experts” in Appendix VI to this prospectus; (c) copies of each of the material contracts referred to in the section headed “Statutory and general information — B. Further information about the business — 1. Summary of material contracts” in Appendix VI to this prospectus; and statement of particulars of the Selling Shareholder.

### **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of King & Wood Mallesons at 13th Floor, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the accountant’s report for the three years ended 30 September 2015 and the eight months ended 31 May 2016 prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for each of the three years ended 30 September 2015 and the eight months ended 31 May 2016;
- (d) the report prepared by BDO Limited on the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (e) the letters on the estimate of the consolidated profit attributable to owners of the Company for the year ended 30 September 2016 from BDO Limited and the Sole Sponsor, the text of which is set out in Appendix III to this prospectus;
- (f) the valuation report related to the property interest of the Group prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix IV to this prospectus;
- (g) the letter of advice prepared by Maples and Calder summarising certain aspects of BVI law referred to in Appendix V to this prospectus;
- (h) the industry report prepared by Euromonitor in relation to the EMS industry in China;
- (i) the high-level transfer pricing review report in respect of the transfer pricing arrangement of the Group, prepared by Lixin Certified Tax Agents Co. Ltd.;

---

**APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES  
IN HONG KONG AND AVAILABLE FOR INSPECTION**

---

- (j) each of the advice letters dated 22 July 2016, 17 August 2016 and 7 September 2016 issued by BDO Tax Limited in respect of the tax issues of the Group;
- (k) the legal advice prepared by the Hong Kong Legal Counsel;
- (l) the U.S. legal opinion prepared by the US Legal Advisers;
- (m) the Philippines legal due diligence report prepared by the Philippines Legal Advisers;
- (n) the PRC legal opinions issued by the PRC Legal Advisers, in respect of various PRC legal issues and property interests of our Group;
- (o) the written consents referred to in the section headed “Statutory and general information — E. Other information — 8. Consents of experts” in Appendix VI to this prospectus;
- (p) the material contracts referred to the section headed “Statutory and general information — B. Further information about the Business — 1. Summary of material contracts” in Appendix VI to this prospectus;
- (q) the service contracts and letters of appointment of our Directors referred to in the section headed “Statutory and general information — C. Further information about substantial shareholders, Directors and experts — 2. Particulars of service agreements” in Appendix VI to this prospectus;
- (r) the Companies Act;
- (s) the rules of the Share Option Scheme; and
- (t) statement of particulars of the Selling Shareholder.



**PANTRONICS HOLDINGS LIMITED**  
**桐成控股有限公司**