

SUMMARY

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

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

OVERVIEW

We are an established EMS provider in the PRC offering integrated manufacturing services which include provision of design enhancement and verification, offering of technical advice and engineering solutions, raw materials selection and procurement, quality control, logistic and delivery and after-sale services to our customers in respect of our assembling and production of PCBAs and fully-assembled electronic products. The table below sets forth a breakdown of our revenue during the Track Record Period by product category:

	For the year ended 31 December					
	2015		2016		2017	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
PCBAs (Note 1)						
Banking and finance	19,221	10.5	50,657	18.9	62,084	16.7
Smart device	5,530	3.0	16,289	6.1	42,547	11.5
Telecommunication	53,612	29.3	24,247	9.1	12,844	3.5
Others (Note 2)	660	0.4	667	0.2	694	0.2
Sub-total	79,023	43.2	91,860	34.3	118,169	31.9
Fully-assembled electronic products (Note 3)						
mPOS	33,615	18.4	110,283	41.2	202,177	54.6
Tablets	—	—	—	—	12,185	3.3
Mobile phones	62,548	34.2	50,973	19.0	8,307	2.3
Digital projectors	5,586	3.0	6,432	2.4	3,478	0.9
Photovoltaic inverters	919	0.5	3,311	1.2	487	0.1
Others (Note 4)	1,234	0.7	5,031	1.9	25,359	6.9
Sub-total	103,902	56.8	176,030	65.7	251,993	68.1
Total	182,925	100.0	267,890	100.0	370,162	100.0

Notes:

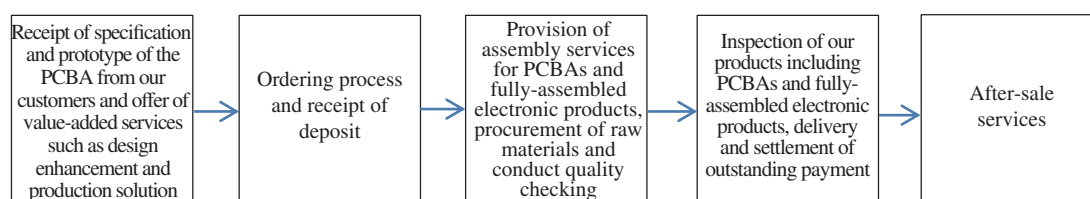
- (1) These PCBAs are sold as stand-alone products to our customers for their onward production of various kinds of electronic products in the industries set out below.
- (2) Others mainly includes PCBAs for medical devices.
- (3) The PCBAs embedded in these fully-assembled electronic products are primarily manufactured by us with a small portion being manufactured and supplied by our suppliers based on our requirements and specifications.
- (4) Others mainly includes signal amplifiers, remote controllers for home appliances and street light controllers.

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OUR BUSINESS MODEL

Our products. Our products include PCBAs and fully-assembled electronic products that are embedded with the PCBAs primarily produced by us in-house. Based on the usage of the final electronic products which used our PCBAs, our PCBAs are broadly applied to electronic end products for three principal industries, namely, banking and finance, telecommunication and smart device. Our fully-assembled electronic products mainly include mobile phones, tablets, digital projectors, mPOS and photovoltaic inverters primarily embedded with the PCBAs manufactured by us and are under the respective brands of our customers or the brands of their ultimate customers.

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



For details, please refer to the paragraph headed “Business — Our business model” in this document.

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

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

	For the year ended 31 December					
	2015		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%
Cost of sales						
Cost of raw materials used	73,782	49.7	166,036	75.4	239,449	77.3
Direct labour	48,427	32.6	34,781	15.8	22,026	7.1
Factory overhead	25,896	17.5	18,576	8.4	47,277	15.3
Provision for inventories	229	0.2	967	0.4	1,072	0.3
Total	148,334	100.0	220,360	100.0	309,824	100.0

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

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

OUR COMPETITIVE STRENGTHS

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

- We offer technical integrated EMS solutions for rendering both PCB assembly services and full electronic product assembly services to our customers with turnkey EMS capabilities;

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

COMPETITIVE LANDSCAPE AND MARKET SHARE

According to the Frost & Sullivan Report, the PRC has overtaken the US as the world's largest electronic products market in terms of sales value since 2015. Sales value of electronic products market in the PRC grew from USD369.7 billion in 2012 to USD453.7 billion in 2016 with a CAGR of 5.3%. Sales value of EMS industry in the PRC reached RMB1,252.6 billion in 2016, with a CAGR of 9.3% from 2012 to 2016. In terms of revenue in 2016, top ten companies in the EMS market in the PRC accounted for approximately 51.8% market share, whereas our Group had a market share of approximately 0.02%. According to the Frost & Sullivan Report, the main entry barriers to EMS market in the PRC include (i) requirement of design and manufacturing capabilities; (ii) possession of contract manufacturer certifications; (iii) requirement of supply chain management capabilities; and (iv) large capital investment requirement. The main market drivers of EMS market in the PRC include (i) thriving demand in global electronic products market; (ii) continuously increasing penetration of EMS; (iii) growing capabilities of EMS providers and (iv) the PRC government's policies which encourage market growth. According to the Frost & Sullivan Report, the market size of PCBA industry in the PRC experienced an upward trend in general from RMB238.8 billion in 2012 to RMB305.7 billion in 2016 with a CAGR of 6.4%.

OUR BUSINESS STRATEGIES

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

- Expand our production capacity and enhance our production efficiency;
- Expand our Shenzhen Production Plant, convert our existing warehouse into an intelligent warehouse and set up an additional intelligent warehouse;
- Further strengthen our research and development capabilities; and
- Upgrade our ERP system and enhance our capabilities in information technology.

OUR PRODUCTION FACILITIES

As at the Latest Practicable Date, we have one production plant, namely, Shenzhen Production Plant, located in Pingshan District, Shenzhen, Guangdong Province, the PRC, which has a gross floor area of approximately 12,000 sq.m, and is equipped with a range of automated machinery and equipment for our SMT assembly lines for assembling PCBAs. As at the Latest Practicable Date, we had ten SMT assembly lines and two DIP assembly lines. These assembly lines are all interchangeable and can be adjusted according to our production schedules and product specifications. The following table sets out our available annual production capacity, actual annual production time and average utilisation rate of our SMT assembly lines during the Track Record Period:

	For the year ended 31 December		
	2015	2016	2017
Number of SMT lines (<i>Note 1</i>)	11-13	11-12	10-11
Number of available machine hours (hours) (<i>Note 2</i>)	80,850	76,818	69,573
Number of productive SMT machine hours (hours) (<i>Note 3</i>)	72,920	69,153	63,323
Utilisation rate (%) (<i>Note 4</i>)	90.2	90.0	91.0

Note:

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

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

OUR CUSTOMERS

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

	2015		2016		2017	
	RMB'000	%	RMB'000	%	RMB'000	%
The PRC	145,676	79.6	219,183	81.8	333,650	90.1
Mexico	—	—	—	—	16,502	4.5
United States	6,340	3.5	37,488	14.0	6,828	1.8
Hong Kong	8,962	4.9	3,898	1.5	38	0.1
Others (<i>Note</i>)	21,947	12.0	7,321	2.7	13,144	3.5
Total	182,925	100.0	267,890	100.0	370,162	100.0

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

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

- (i) Our integrated and value-added services help strengthening our business relationship with our existing customers and bring in new customers; and
- (ii) Our expansion to new industry(ies) where our PCBAs can be applied.

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

- Transferability of our skills to other customers;
- Difficulties faced by Customer B in engaging other EMS providers in the PRC in place of our Group;
- We continue to identify potential customers to broaden our revenue stream; and
- We have an experienced and dedicated management team.

OUR SUPPLIERS

Our suppliers (including suppliers of raw materials and subcontractors performing certain assembling processes of our fully-assembled electronic products) are mainly located in the PRC with a few in Hong Kong, South Korea and Taiwan. For each of the three years ended 31 December 2017, our top five suppliers and subcontractors accounted for approximately 24.4%, 40.7% and 34.6% of our total cost of purchases and our largest supplier accounted for approximately 7.0%, 11.5% and 12.0% of our total cost of purchases and subcontracting fees, respectively.

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ENTITIES WHO ARE OUR CUSTOMERS AND ALSO OUR SUPPLIERS

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

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

HISTORY, DEVELOPMENT AND REORGANISATION

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

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

[REDACTED] INVESTMENT

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

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

Immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme), our Company will be owned as to [REDACTED]% by Elite Foster.

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

CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme), our Company will be owned as to [REDACTED]% by Rich Blessing, which is owned as to 62.91%, 20.00%, 14.89% and 2.20% by Mr. Ma, Ms. Chen, Ms. Cheng Lihong and Mr. Cheng, respectively. Mr. Ma is the chairman of our Board, chief executive officer and executive Directors of our Company. Ms. Cheng Lihong is the spouse of Mr. Ma; and Mr. Cheng is the younger brother of Ms. Cheng Lihong and the brother-in-law of Mr. Ma. As Mr. Ma, Ms. Chen, Ms. Cheng Lihong and Mr. Cheng have decided to restrict their ability to exercise direct control over our Company by holding their interests through Rich Blessing and they have been and will continue to be parties acting in concert in respect of our Group, Mr. Ma, Ms. Chen, Ms. Cheng Lihong, Mr. Cheng and Rich Blessing are regarded as a group of Controlling Shareholders of our Company under the Listing Rules. For further details, please refer to the section headed "Relationship with our Controlling Shareholders" in the document.

KEY OPERATION AND FINANCIAL DATA

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

	For the year ended 31 December		
	2015	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	182,925	267,890	370,162
Cost of sales	<u>(148,334)</u>	<u>(220,360)</u>	<u>(309,824)</u>
Gross profit	34,591	47,530	60,338
Other income	93	694	828
Other (losses)/gains, net	(132)	(983)	1,223
Selling and distribution expenses	(3,673)	(6,687)	(9,534)
Administrative expenses	<u>(10,327)</u>	<u>(12,795)</u>	<u>(18,404)</u>
Operating profit	20,552	27,759	34,451
Finance income	24	32	99
Finance costs	<u>(1,982)</u>	<u>(1,098)</u>	<u>(800)</u>
Finance costs, net	<u>(1,958)</u>	<u>(1,066)</u>	<u>(701)</u>
Profit before income tax	18,594	26,693	33,750
Income tax expense	<u>(4,602)</u>	<u>(4,612)</u>	<u>(5,239)</u>
Profit for the year	13,992	22,081	28,511
Other comprehensive losses:			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences	<u>(125)</u>	<u>(10)</u>	<u>(250)</u>
Total comprehensive income for the year	<u><u>13,867</u></u>	<u><u>22,071</u></u>	<u><u>28,261</u></u>

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

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

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

Selected information extracted from consolidated balance sheets

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Current assets	122,324	153,058	166,098
Current liabilities	117,539	122,338	96,556
Net current assets	4,785	30,720	69,542
Net assets	23,200	45,271	86,359
Total assets	140,739	167,609	182,915

Selected information extracted from consolidated statements of cash flows

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	37,067	21,513	29,173
Net cash (used in)/generated from investing activities	(14,537)	(9,645)	16,234
Net cash used in financing activities	(10,886)	(19,641)	(12,838)
Net increase/(decrease) in cash and cash equivalents	11,644	(7,773)	32,569
Cash and cash equivalents at beginning of the year	16,536	28,901	21,241
Currency translation differences	721	113	(676)
Cash and cash equivalents at end of the year	<u>28,901</u>	<u>21,241</u>	<u>53,134</u>

KEY FINANCIAL RATIOS

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

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Notes:

- (1) Current ratio is calculated by dividing current assets by current liabilities as at the respective year-end date.
- (2) Quick ratio is calculated by dividing current assets minus inventories by current liabilities as at the respective year-end date.
- (3) Gearing ratio is calculated by dividing total debts (being the total interest-bearing loans including banks borrowings) by total equity as at the respective year-end date.
- (4) Net debt to equity ratio is calculated by dividing net debts (being the total interest-bearing loans including banks borrowings less cash and cash equivalents and pledged bank deposits) by total equity as at the respective year-end date.
- (5) Return on assets ratio is calculated by dividing profit for the year by the total assets as at the respective year-end date.
- (6) Return on equity ratio is calculated by dividing profit for the year by the total equity as at the respective year-end date.
- (7) Interest coverage ratio is calculated by dividing profit before interest and tax by the finance expenses for the corresponding year.

DIVIDEND

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

FUTURE PLANS AND PROPOSED USE OF [REDACTED]

We estimate that the aggregate [REDACTED] from the [REDACTED] to be received by us, after deducting [REDACTED] and estimated expenses paid and payable by our Company in connection thereto, to be approximately HK\$[REDACTED] million, assuming the [REDACTED] is not exercised and the [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the proposed [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per Share. We currently intend to apply the [REDACTED] in the following manner:

Approximate amount of [REDACTED]/utilised	Intended applications
Approximately HK\$[REDACTED] million, or approximately [REDACTED]%	Expand our production capacity and enhance our production efficiency
Approximately HK\$[REDACTED] million, or approximately [REDACTED]%	Expand our Shenzhen Production Plant, convert our existing warehouse into an intelligent warehouse and set up an additional intelligent warehouse
Approximately HK\$[REDACTED] million, or approximately [REDACTED]%	Further strengthen our research and development capabilities
Approximately HK\$[REDACTED] million, or approximately [REDACTED]%	Upgrade our ERP system and enhance our capabilities in information technology
Approximately HK\$[REDACTED] million, or approximately [REDACTED]%	General working capital of our Group

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For the period from the [REDACTED] to 30 June 2021, our [REDACTED] from the [REDACTED] will be used as follows:

	From the [REDACTED] to 31 December 2018 HK\$'000	From 1 January 2019 to 30 June 2019 HK\$'000	From 1 July 2019 to 31 December 2019 HK\$'000	From 1 January 2020 to 30 June 2020 HK\$'000	From 1 July 2020 to 31 December 2020 HK\$'000	From 1 January 2021 to 30 June 2021 HK\$'000	Total HK\$'000
Expand our production capacity and enhance our production efficiency	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Expand our Shenzhen Production Plant, convert our existing warehouse to be intelligent warehouse and set up an additional intelligent warehouse	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Further strengthen our research and development capabilities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Upgrade our ERP system and enhance our capabilities in information technology	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General working capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

For further details on our future plans and use of [REDACTED], please refer to the section headed "Future plans and use of [REDACTED]" in this document.

Please also refer to the section headed "Future plan and use of [REDACTED] — Reasons for the [REDACTED]" in this document for detailed reasons for the [REDACTED].

LITIGATION AND LEGAL COMPLIANCE

As at the Latest Practicable Date, there is an ongoing civil litigation in relation to a fatal traffic accident happened in August 2017 involving a vehicle of Shenzhen Hengchang Sheng commenced in the Shenzhen Longgang District People's Court* (深圳市龍崗區人民法院) in November 2017, in which the plaintiffs therein claims against Shenzhen Hengchang Sheng as one of the defendants for a sum of approximately RMB762,420 with litigation costs. The hearing is fixed to be held on 6 March 2018. For details, please refer to the paragraph headed "Business — Litigations" of this document.

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

RISK FACTORS

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

SUMMARY

[REDACTED] STATISTICS

All statistics in the table sets out below is based on the assumption that the [REDACTED] is not exercised.

	Based on minimum indicative [REDACTED] of HK\$[REDACTED]	Based on maximum indicative [REDACTED] of HK\$[REDACTED]
[REDACTED] (Note 1)	[HK\$[REDACTED]]	[HK\$[REDACTED]]
[REDACTED] (Note 2)	[HK\$[REDACTED]]	[HK\$[REDACTED]]

Notes:

- (1) The calculation of market capitalisation is based on the [REDACTED] Shares expected to be in issue at the [REDACTED] immediately upon completion of the [REDACTED] and the [REDACTED].
- (2) Please see "[REDACTED] Financial Information" in Appendix II to this document for details regarding the assumptions and calculation basis used.

[REDACTED] EXPENSES

Our estimated expenses in relation to the [REDACTED], including [REDACTED], are approximately RMB[REDACTED] million, of which, approximately RMB[REDACTED] million is directly attributable to the issue of Shares to the public and will be accounted for as a deduction from equity upon completion of the [REDACTED]. The remaining estimated [REDACTED] expenses of approximately RMB[REDACTED] million, was or will be charged to profit or loss, of which approximately RMB[REDACTED] million had been recorded in the consolidated income statement and consolidated statement of comprehensive income during the Track Record Period, and approximately RMB[REDACTED] million is expected to be charged to profit or loss for the year ending 31 December 2018. This calculation is based on the [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the [REDACTED] range stated in this document) and the assumption that [REDACTED] are to be offered under the [REDACTED] and is subject to the adjustment based on the actual amount incurred or be incurred.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to specialise in providing PCB assembly services and full product assembly services to our customers on an EMS basis to maintain our operation in the banking and finance industry.

Also, we continued to explore opportunities for our EMS in other industries. For example, we received an order from a new customer for providing EMS for vibration chairs in January 2018.

Save as disclosed in the paragraph headed "[REDACTED] Expenses" in this section, our Directors confirmed that since 31 December 2017 and up to the date of this document, there was no material adverse change in the trading and financial position or prospect of our Group and no event had occurred that would materially and adversely affect the information shown in the Accountant's Report set out in Appendix I to this document.