

*The following is the text of a report set out on pages [I-1] to [I-3] received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*

*[Letterhead of PricewaterhouseCoopers]*

*[DRAFT]*

**ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ETERNITY TECHNOLOGY HOLDINGS LIMITED AND DAKIN CAPITAL LIMITED**

**Introduction**

We report on the historical financial information of Eternity Technology Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages [●] to [●], which comprises the consolidated balance sheets as at 31 December 2015, 2016 and 2017, the balance sheet of the Company as at 31 December 2017, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [●] to [●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [*document date*] (the "Document") in connection with the [REDACTED] of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

**Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountant's responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2017 and the consolidated financial position of the Group as at 31 December 2015, 2016 and 2017 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

**Adjustments**

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page [I-4] have been made.

**Dividends**

We refer to Note 29 to the Historical Financial Information which states that no dividends have been paid by Eternity Technology Holdings Limited in respect of the Track Record Period.

*THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT*

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**No statutory financial statements for the Company**

No statutory financial statements have been prepared for the Company since its date of incorporation.

**[PricewaterhouseCoopers]**  
*Certified Public Accountants*  
Hong Kong  
**[Date]**

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**I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP**

**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

**CONSOLIDATED INCOME STATEMENTS**

	<i>Note</i>	<b>Year ended 31 December</b>		
		<b>2015</b>	<b>2016</b>	<b>2017</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5	182,925	267,890	370,162
Cost of sales	6	<u>(148,334)</u>	<u>(220,360)</u>	<u>(309,824)</u>
<b>Gross profit</b>		34,591	47,530	60,338
Other income	7	93	694	828
Other (losses)/gains, net	8	(132)	(983)	1,223
Selling and distribution expenses	6	(3,673)	(6,687)	(9,534)
Administrative expenses	6	<u>(10,327)</u>	<u>(12,795)</u>	<u>(18,404)</u>
<b>Operating profit</b>		20,552	27,759	34,451
Finance income	10	24	32	99
Finance costs	10	<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>
<b>Profit before income tax</b>		18,594	26,693	33,750
Income tax expense	11	<u>(4,602)</u>	<u>(4,612)</u>	<u>(5,239)</u>
<b>Profit for the year</b>		<u>13,992</u>	<u>22,081</u>	<u>28,511</u>
<b>Profit attributable to:</b>				
Owners of the Company		<u>13,992</u>	<u>22,081</u>	<u>28,511</u>
<b>Earnings per share attributable to ordinary equity holders of the Company</b>				
Basic and diluted (RMB'000)	12	<u>34</u>	<u>54</u>	<u>63</u>

The earnings per share has not taken into account the proposed [REDACTED] pursuant to the shareholders' resolution dated [Date] because the proposed [REDACTED] has not been effected as at the date of this report.

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**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit for the year</b>	<u>13,992</u>	<u>22,081</u>	<u>28,511</u>
<b>Other comprehensive losses:</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Currency translation differences	<u>(125)</u>	<u>(10)</u>	<u>(250)</u>
<b>Total comprehensive income for the year</b>	<u>13,867</u>	<u>22,071</u>	<u>28,261</u>
<b>Attributable to:</b>			
Owners of the Company	<u>13,867</u>	<u>22,071</u>	<u>28,261</u>

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**CONSOLIDATED BALANCE SHEETS**

		<b>As at 31 December</b>		
		<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Properties, plant and equipment	13	15,863	11,309	13,853
Intangible assets	14	—	1,720	1,478
Deposits	16	394	336	401
Deferred tax assets	22	2,158	1,186	1,085
		<u>18,415</u>	<u>14,551</u>	<u>16,817</u>
<b>Current assets</b>				
Inventories	17	22,143	21,606	31,449
Trade and bills receivables	20	52,987	80,730	71,090
Prepayments, deposits and other receivables	16	2,479	3,737	10,425
Financial assets at fair value through profit or loss	18	12,669	20,254	—
Amount due from a related party	28	2,530	4,000	—
Pledged bank deposits	19	615	1,490	—
Cash and cash equivalents	19	28,901	21,241	53,134
		<u>122,324</u>	<u>153,058</u>	<u>166,098</u>
<b>Total assets</b>		<u>140,739</u>	<u>167,609</u>	<u>182,915</u>
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	21	—	—	—
Reserves		23,200	45,271	86,359
<b>Total equity</b>		<u>23,200</u>	<u>45,271</u>	<u>86,359</u>

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		<b>As at 31 December</b>		
		<b>2015</b>	<b>2016</b>	<b>2017</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note</i>			
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade payables	23	33,082	53,182	55,632
Current income tax liabilities		6,233	8,905	4,835
Bank borrowings	25	20,628	12,326	5,000
Receipts in advance, other payables and accruals	24	28,287	25,543	31,089
Amounts due to related parties	28	29,309	22,382	—
		117,539	122,338	96,556
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<b>Total liabilities</b>		<u>117,539</u>	<u>122,338</u>	<u>96,556</u>
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<b>Total equity and liabilities</b>		<u>140,739</u>	<u>167,609</u>	<u>182,915</u>
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**BALANCE SHEET OF THE COMPANY**

	<i>Note</i>	<b>As at 31 December 2017 RMB'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Interests in subsidiaries	32	<u>19,949</u>
<b>Current assets</b>		
Prepayments, other receivable and deposit	16	1,486
Amounts due from subsidiaries	33	3,369
Cash and cash equivalents	19	<u>2,436</u>
		<u>7,291</u>
<b>Total assets</b>		<u><u>27,240</u></u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	21	—
Share premium	21	12,165
Reserves	34	19,505
Accumulated losses		<u>(5,167)</u>
<b>Total equity</b>		<u><u>26,503</u></u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accruals	24	562
Amount due to a subsidiary	<u>33</u>	<u>175</u>
<b>Total liabilities</b>		<u><u>737</u></u>
<b>Total equity and liabilities</b>		<u><u>27,240</u></u>



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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					Total equity RMB'000
	Share capital RMB'000	Statutory reserve RMB'000	Other reserves RMB'000 Note (b)	Exchange reserve RMB'000	(Accumulated losses)/ retained earnings RMB'000	
<b>Balance at 1 January 2015</b>	—	—	12,000	(3)	(2,664)	9,333
<b>Comprehensive income</b>						
Profit for the year	—	—	—	—	13,992	13,992
<b>Other comprehensive losses</b>						
Currency translation differences	—	—	—	(125)	—	(125)
<b>Total comprehensive income</b>	—	—	—	(125)	13,992	13,867
<b>Transactions with owners</b>						
Appropriation (Note (a))	—	1,275	—	—	(1,275)	—
<b>Total transactions with owners</b>	—	1,275	—	—	(1,275)	—
<b>Balance at 31 December 2015</b>	—	1,275	12,000	(128)	10,053	23,200

	Attributable to owners of the Company					Total equity RMB'000
	Share capital RMB'000	Statutory reserve RMB'000	Other reserves RMB'000 Note (b)	Exchange reserve RMB'000	Retained earnings RMB'000	
<b>Balance at 1 January 2016</b>	—	1,275	12,000	(128)	10,053	23,200
<b>Comprehensive income</b>						
Profit for the year	—	—	—	—	22,081	22,081
<b>Other comprehensive losses</b>						
Currency translation differences	—	—	—	(10)	—	(10)
<b>Total comprehensive income</b>	—	—	—	(10)	22,081	22,071
<b>Transactions with owners</b>						
Appropriation (Note (a))	—	2,076	—	—	(2,076)	—
<b>Total transactions with owners</b>	—	2,076	—	—	(2,076)	—
<b>Balance at 31 December 2016</b>	—	3,351	12,000	(138)	30,058	45,271

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	Attributable to owners of the Company					Total equity RMB'000
	Share capital RMB'000	Statutory reserve RMB'000	Other reserves RMB'000 <i>Note (b)</i>	Exchange reserve RMB'000	Retained earnings RMB'000	
<b>Balance at 1 January 2017</b>	—	3,351	12,000	(138)	30,058	45,271
<b>Comprehensive income</b>						
Profit for the year	—	—	—	—	28,511	28,511
<b>Other comprehensive losses</b>						
Currency translation differences	—	—	—	(250)	—	(250)
<b>Total comprehensive income</b>	—	—	—	(250)	28,511	28,261
<b>Transactions with owners</b>						
Capital injection from a shareholder ( <i>Note 1.2(c)</i> )	—	—	919	—	—	919
Effect of reorganisation in respect of the capitalisation of shareholders' loans ( <i>Note 1.2(j)</i> ) and the acquisition of subsidiaries ( <i>Note 1.2(e) &amp; (i)</i> )	—	—	(257)	—	—	(257)
Issuance of ordinary shares of the Company ( <i>Note 1.2(a)&amp;(g)</i> )	—	—	12,165	—	—	12,165
Appropriation ( <i>Note (a)</i> )	—	2,965	—	—	(2,965)	—
<b>Total transactions with owners</b>	—	2,965	12,827	—	(2,965)	12,827
<b>Balance at 31 December 2017</b>	—	6,316	24,827	(388)	55,604	86,359

Note:

- (a) The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. A PRC company is required to appropriate an amount of not less than 10% of statutory profits after income tax to statutory surplus reserves, prior to distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretionary surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.
- (b) Other reserves as at 31 December 2015 and 31 December 2016 represent combined share capital of subsidiaries now comprising the Group before the completion of the reorganisation.

Other reserves as at 31 December 2017 represent the share premium and fair value of the consideration given in excess of the share capital of the subsidiaries now comprising the Group in relation to the Group's reorganisation.

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Note	Year ended 31 December		
		2015 RMB'000	2016 RMB'000	2017 RMB'000
<b>Cash flows from operating activities</b>				
Cash generated from operations	26(a)	37,043	22,426	38,249
Income tax paid		—	(984)	(9,175)
Interest received		24	32	99
Dividend received		—	39	—
Net cash generated from operating activities		<u>37,067</u>	<u>21,513</u>	<u>29,173</u>
<b>Cash flows from investing activities</b>				
Purchase of financial assets at fair value through profit or loss		(53,694)	(112,678)	(62,818)
Proceeds from disposal of financial assets at fair value through profit or loss		41,344	104,925	83,133
Purchase of properties, plant and equipment		(2,236)	(601)	(5,091)
Proceeds from disposal of properties, plant and equipment	26(b)	49	471	1,129
Purchase of intangible assets		—	(1,762)	(119)
Net cash (used in)/generated from investing activities		<u>(14,537)</u>	<u>(9,645)</u>	<u>16,234</u>
<b>Cash flows from financing activities</b>				
Proceeds from bank borrowings	26(c)	78,830	21,088	14,316
Proceeds from loans from shareholders	1.2(h)	—	—	19,692
Proceeds from issuance of ordinary shares of the Company	1.2(g)	—	—	12,165
Consideration paid for the acquisition of subsidiaries in respect of reorganisation	1.2(e)&(i)	—	—	(19,949)
Repayments of bank borrowings	26(c)	(75,367)	(29,390)	(21,642)
Interest paid		(1,982)	(1,098)	(800)
Change in pledged bank deposits		(43)	(875)	1,490
Advance from a related party		—	2,800	6,080
Repayment to a related party		(2,530)	(4,270)	(2,080)
Proceeds from amounts due to related parties	26(c)	319	2,200	8,130
Repayment of amounts due to related parties	26(c)	(10,113)	(10,096)	(29,716)
Payment of [REDACTED] expenses		—	—	[REDACTED]
Capital injection from a shareholder	1.2(c)	—	—	919
Net cash used in financing activities		<u>(10,886)</u>	<u>(19,641)</u>	<u>(12,838)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>				
Cash and cash equivalents at beginning of the year		11,644	(7,773)	32,569
Currency translation differences		721	113	(676)
Cash and cash equivalents at end of the year	19	<u>28,901</u>	<u>21,241</u>	<u>53,134</u>

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Major non-cash transaction:

During the year ended 31 December 2017, loans amounting to HK\$22,640,000 (approximately RMB19,692,000) from shareholders of the Company were capitalised in other reserve as capital contribution to the Company.

## **II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION**

### **1 General information, reorganisation and basis of presentation**

#### ***1.1 General information***

The Company was incorporated in the Cayman Islands on 15 March 2017 as an exempted company with limited liability under the Companies Law Cap. 22, Law 3 of 1961 as consolidated and revised of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries now comprising the Group are principally engaged in the business of electronics manufacturing services (the "[REDACTED] Business"). The ultimate holding company of the Company is Rich Blessing Group Limited, a company incorporated in the British Virgin Islands ("BVI"). The ultimate controlling party of the Group is Mr. Ma Fujun ("Mr. Ma").

The Historical Financial Information is presented in unit of Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000"), unless otherwise stated.

#### ***1.2 Reorganisation***

Prior to the group reorganisation (the "Reorganisation"), the businesses of electronic manufacturing services and trading of electronic products were carried out by (a) Shenzhen Hengchang Sheng Technology Limited Company\* (深圳市恒昌盛科技有限公司) ("Shenzhen Hengchang Sheng"), a company incorporated in the People's Republic of China ("PRC") which was controlled by Mr. Ma; and (b) Eternity Technology Development Limited, a company incorporated in Hong Kong, which was wholly owned by Mr. Ma, throughout the Track Record Period.

In preparing for the [REDACTED] of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent the Reorganisation which mainly involved the following steps:

- (a) On 15 March 2017, the Company was incorporated in the Cayman Islands. 323 shares and 17 shares of the Company were allotted and issued to Rich Blessing Group Limited and In Good Investment Limited ("In Good"), a former [REDACTED] investor, respectively on the same date.
- (b) On 23 March 2017, the Company subscribed one fully paid share of Total United Holdings Limited. Total United Holdings become a wholly owned subsidiary of the Company.

\* For identification purpose only

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- (c) On 27 March 2017, In Good injected capital in the amount of RMB919,000 into Shenzhen Hengchang Sheng.
- (d) On 30 March 2017, Agreeable Company Limited was incorporated in Hong Kong and controlled by Total United Holdings Limited, a wholly owned subsidiary of the Company.
- (e) On 12 May 2017, Agreeable Company Limited acquired the entire equity interest in Shenzhen Hengchang Sheng from its then shareholders at a total cash consideration of RMB18,383,000.
- (f) On 17 May 2017, In Good transferred its 17 shares of the Company to Elite Foster International Investment Limited (a [REDACTED] investor).
- (g) On 18 May 2017, Elite Foster International Investment Limited subscribed for 40 shares of the Company at cash consideration of HK\$13,860,000 (approximately RMB12,165,000). After the aforesaid subscription of shares, the Company was owned as to 85% by Rich Blessing Group Limited and 15% by Elite Foster International Investment Limited.
- (h) On 23 May 2017 and 1 June 2017, Elite Foster International Investment Limited and Rich Blessing Group Limited advanced shareholders' loan in the amounts of HK\$1,140,000 (approximately RMB992,000) (the "Elite Foster Shareholder's Loan") and HK\$21,500,000 (approximately RMB18,700,000) (the "Rich Blessing Shareholder's Loan"), respectively, to the Company.
- (i) On 1 June 2017, Total United Holdings Limited acquired the entire issued shares of Eternity Technology Development Limited from Mr. Ma at cash consideration of HK\$1,800,000 (approximately RMB1,566,000).
- (j) On 8 June 2017, the Company capitalised the full amount of the Rich Blessing Shareholder's Loan and Elite Foster Shareholder's Loan by allotment and issuing of 85 and 15 ordinary shares of the Company, credited as fully paid, to Rich Blessing Group Limited and Elite Foster International Investment Limited, respectively. After the aforesaid loan capitalisation, the Company remained owned as to 85% by Rich Blessing Group Limited and 15% by Elite Foster International Investment Limited.

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Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation	Principal activities and place of operation	Issued and paid up capital	Effective interest held by the Group			As at date of this report	Name of statutory auditors		
				31 December 2015	31 December 2016	31 December 2017		2015	2016	2017
<i>Direct Interests:</i>										
Total United Holdings Limited	BVI; 1 December 2016	Investment holding in BVI	1 United States Dollar ("USD")	N/A	100%	100%	100%	N/A	(a)	(a)
<i>Indirect Interests:</i>										
Agreeable Company Limited	Hong Kong; 30 March 2017	Investment holding in Hong Kong	HK\$1	N/A	N/A	100%	100%	N/A	N/A	(b)
Shenzhen Hengchang Sheng	The PRC; 9 May 2005	Electronic manufacturing services in PRC	RMB12,631,579	100%	100%	100%	100%	(c)	(c)	(c)
Eternity Technology Limited	Hong Kong; 2 January 2003	Trading of electronic products in Hong Kong	HK\$2	100%	100%	100%	100%	(d)	(d)	(d)

- (a) No audited statutory financial statements have been issued for the subsidiary as it is not required to issue audited financial statements under the statutory requirement of its place of incorporation.
- (b) No statutory financial statements for the period ended 31 December 2017 is required as it was incorporated on 30 March 2017.
- (c) The statutory auditor for the year ended 31 December 2015, 2016 and 2017 was Shenzhen Huatu Certified Public Accountants Limited. [The statutory financial statements for the year ended 31 December 2017 have not yet been issued].
- (d) The statutory auditor for the year ended 31 December 2015, 2016 and 2017 was SBC CPA Limited. [The statutory financial statements for the year ended 31 December 2017 have not yet been issued].

All companies now comprising the Group have adopted 31 December as their financial year end date.

**1.3 Basis of presentation**

The companies now comprising the Group, engaging in the businesses of electronic manufacturing services and trading of electronic products, were under common control of Mr. Ma, the controlling shareholder, immediately before and after the Reorganisation. Accordingly, the Reorganisation is regarded as a business combination under common control, and for the purpose of this report, the Historical Financial Information has been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants.

The Historical Financial Information has been prepared by including the financial information of the companies engaged in the businesses of electronic manufacturing services and trading of electronic products, under the common control of Mr. Ma immediately before and after the Reorganisation and now comprising the Group, as if the current group structure had been in existence throughout the years presented, or since the date when the combining companies first came under the control of Mr. Ma, whichever is a shorter period.

The net assets of the combining companies were combined using the existing book values from Mr. Ma's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

## **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### ***2.1 Basis of preparation***

The Historical Financial Information of the Company has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of the Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the directors of the Group to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 4.

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The following are new standards, amendments and interpretations which have been issued but are not effective and have not been early adopted. The Group plans to adopt these new standards, amendments and interpretations when they become effective:

		<b>Effective for accounting periods beginning on or after</b>
HKAS 40 (Amendments)	Transfers of Investment Property	1 January 2018
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS4 Insurance Contracts	1 January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 9	Financial instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendments)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements Project (Amendments)	Annual Improvements 2014-2016 Cycle	1 January 2018

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. Management is in the process of assessing the impact of these standards, amendments and interpretations to existing HKFRS and set out below are the expected impact on the Group's financial performance and position:

HKFRS 9 "Financial instrument" introduces a new model for the recognition of impairment losses — the expected credit losses ("ECL") model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a "three stage" approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as



credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost, a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

Management has performed preliminary assessment and expects that the adoption of the new expected credit loss model under HKFRS 9 will not have significant impact on the Group's financial position and results of operation.

HKFRS 9 also addresses the classification, measurement and recognition of financial assets and liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities, there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in the other comprehensive income, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. HKFRS 9 is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

As at 31 December 2017, all of the Group's financial assets and financial liabilities were carried at amortised cost, which would likely continue to be measured on the same basis under HKFRS 9.

HKFRS 15 "Revenue from contracts with customers" replaces the previous revenue standards HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset-liability" approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity normally recognises revenue when a performance obligation is satisfied. Impact on the revenue recognition may arise when multiple performance obligation are identified. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

Management has performed preliminary assessment on the implementation of HKFRS 15 and the initial results indicated that it would not result in any significant impact on the Group's financial position and results of operation other than changes on the disclosure.

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HKFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The Group is a lessee of various properties which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in note 2.21 with the Group's future operating lease commitments, which are not reflected in the consolidated balance sheets, falling due as follows:

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
No later than 1 year	1,563	2,558	7,635
Later than 1 year and no later than 5 years	<u>10,689</u>	<u>7,186</u>	<u>5,542</u>
	<u>12,252</u>	<u>9,744</u>	<u>13,177</u>

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to recognise certain leases outside of the consolidated balance sheets. Instead, when the Group is the lessee, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus, each lease will be mapped in the Group's consolidated balance sheets. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheets. As for the financial performance impact in the consolidated statements of comprehensive income, rental expenses will be replaced with straight-line depreciation expense on the right-of-use asset and interest expenses on the lease liability. The combination of the straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to apply until the financial year ending 31 December 2019. Early adoption is permitted only if HKFRS 15 is adopted at the same time.

Management has performed a preliminary assessment on the implementation of HKFRS 16 and the initial results indicated that it would not result in any significant impact on the Group's financial position and results of operation other than increase in assets and financial liabilities in the Group's financial statements. The adoption of HKFRS 16 would also not affect the Group's total cash flows in respect of the leases.

Other than those analysed above, management does not anticipate any significant impact on the Group's financial positions and results of operations upon adopting the above other amendments to existing standard.

### 2.2 Subsidiaries

#### 2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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(a) Business combination

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries now comprising the Group have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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(d) Merger accounting for common control combinations

During the year ended 31 December 2017, the Group has completed the Reorganisation as detailed in Note 1.2 under which the Company has acquired subsidiaries which are under common control of Mr. Ma since their dates of incorporation. These acquisitions are regarded as "business combination under common control" and are accounted for using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the HKICPA.

The net assets of the combining entities are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of common control combinations, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combinations.

*2.2.2 Separate financial statements*

Investments in subsidiaries are accounted for by the Company at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the Historical Financial Information of the investee's net assets including goodwill.

**2.3 Segment reporting**

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the directors who make strategic decisions.

**2.4 Foreign currency translation**

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in RMB, which is the Group's presentation currency. The Company's functional currency is Hong Kong Dollar ("HK\$").

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

*(iii) Group companies*

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign operations are taken to other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign entity and translated at the closing rate.

**2.5 Properties, plant and equipment**

Properties, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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Depreciation of properties, plant and equipment is calculated using the straight-line method to allocate their costs, net of their residual value, over their estimated useful lives, as follows:

Buildings	20 years
Furniture and fixtures	5 years
Office equipment	3 to 5 years
Plant and machinery	3 to 10 years
Motor vehicles	3 to 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain or loss on disposal are determined by comparing proceeds with carrying amount and are recognised in profit or loss.

## **2.6 Intangible assets**

### *System software*

Acquired system software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using straight-line method over their estimated useful lives of three to five years.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

## **2.7 Financial assets**

### *2.7.1 Classification*

The Group classifies its financial assets as financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (a) Financial assets at fair value through profit or loss

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. held for trading. They are presented as current assets if they are expected to be sold within twelve months after the end of the reporting period; otherwise they are presented as non-current assets.

#### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents. (Notes 2.10 and 2.12).

### *2.7.2 Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

### *2.7.3 Measurement*

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statements within 'other gains/(losses) — net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised within 'other income' when the Group's right to receive payments is established.

## **2.8 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

## **2.9 Impairment of financial assets**

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

### ***2.10 Trade, bills and other receivables***

Trade and bills receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and bills receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade, bills and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

### ***2.11 Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### ***2.12 Cash and cash equivalents***

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks with original maturities of three months or less.

### ***2.13 Share capital***

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### ***2.14 Trade and other payables***

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### ***2.15 Borrowings***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in interest expense over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.



### ***2.16 Borrowing costs***

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

### ***2.17 Provisions***

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### ***2.18 Current and deferred income tax***

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

#### ***(a) Current income tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### ***(b) Deferred income tax***

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time

of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### ***2.19 Employee benefits***

#### *(a) Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

#### *(b) Other long-term employee benefit obligations*

The liabilities for annual leave are not expected to be settled wholly within twelve months after the end of the period in which the employees render the related service.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

#### *(c) Defined contribution plans*

The Group pays contributions to state-managed pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

*(d) Bonus plans*

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**2.20 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amount for the sale of goods in the ordinary course of the Group's activity. Revenue is shown net of returns and after eliminating sales within the Group. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for the Group's activity as described below:

*(a) Sales of goods*

Sales of goods are recognised when the Group has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

*(b) Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

*(c) Dividend income*

Dividend income is recognised when the right to receive payment is established.

**2.21 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to the profit or loss on a straight-line basis over the period of the lease.

**2.22 Dividend distribution**

Dividend distribution to the shareholders is recognised as a liability in the years in which the dividend are approved by the Company's shareholders or directors, where appropriate.

**2.23 Government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statements over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

### 2.24 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

## 3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

### 3.1 Market risk

#### (i) Foreign exchange risk

The Group operates in Hong Kong and the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations, which are denominated in these currencies.

During the Track Record Period, the Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

As at 31 December 2015, 2016 and 2017, if USD had strengthened/weakened by 1% against RMB, with all other variables held constant, pre-tax profit for each year would have changed mainly as a result of foreign exchange losses/gains on translation of USD denominated cash and cash equivalents, trade and other receivables and trade and other payables.

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Pre-tax profit (decrease)/increase			
- Strengthened 1%	(91)	(72)	(55)
- Weakened 1%	91	72	55

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*(ii) Interest rate risk*

The Group's interest rate risk is mainly attributable to its pledged bank deposits, cash at banks and bank borrowings with floating interest rates. Details of the Group's pledged bank deposits, cash and cash equivalents, and bank borrowings have been disclosed in Notes 19 and 25 to the Historical Financial Information respectively.

Other than pledged bank deposits, cash at banks and bank borrowings, the Group does not have significant interest-bearing assets or liabilities.

As at 31 December 2015, 2016 and 2017, if interest rates on pledged bank deposits, cash at banks and bank borrowings had been 100 basis points higher/lower with all variables held constant, profit before tax for the years then ended would have been RMB89,000, RMB104,000 and RMB481,000 higher/lower, mainly as a result of higher/lower of interest income on the pledged bank deposits and cash at banks netted with interest expenses on the bank borrowings respectively.

*(iii) Credit risk*

The credit risk of the Group mainly arises from bank deposits and trade and other receivables, amounts due from a related party and a shareholder. Majority of bank deposits are placed with reputable banks and financial institutions.

The Group has policies in place to ensure that credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made.

The carrying amounts of trade and bills receivables, deposits and other receivables, amount due from a related party, bank deposits and cash at banks represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's bank deposits and cash at banks were deposited with high quality financial institutions. Therefore, the Group does not expect any losses arising from non-performance by these counterparties.

For the years ended 31 December 2015, 2016 and 2017, 66%, 76%, and 80%, respectively, of the Group's revenue was derived from its top five customers. As at 31 December 2015, 2016 and 2017, 81%, 78%, and 77% of the total trade and bills receivables were due from the Group's top five customers, respectively.

Management makes periodic assessments on the recoverability of trade and bills receivables, and is of the opinion that adequate provision for receivables with significant credit risk has been made.

The credit risk on bank deposits, cash at banks and amount due from a related party are limited because deposits are in banks with sound credit ratings and management does not expect any loss from non-performance by the related party. The amount due from a related party was fully settled as at 31 December 2017.

*(iv) Liquidity risk*

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the shorter and longer term.

As at 31 December 2015, 2016 and 2017, the Group held cash and cash equivalents of RMB28,901,000, RMB21,241,000 and RMB53,134,000 respectively, that are expected to be readily available to generate cash inflows for managing liquidity risk.

The Group maintains liquidity by a number of sources including orderly realisation of short-term financial assets, receivables and certain assets that the Group considers appropriate and long term financing including long-term borrowings are also considered by the Group in its capital structuring. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable the Group to continue its business for the foreseeable future.

As at 31 December 2015, 2016 and 2017, the Group's total undrawn banking facilities amounted to approximately RMB12,660,000, RMB22,000,000 and RMB19,000,000 respectively, and the Group's total drawn banking facilities amounted to approximately RMB20,628,000, RMB12,326,000 and RMB5,000,000 respectively.

The table below analyses the non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date the Group can be required to pay. Balances within twelve months equal their carrying balances as impact from discounting is not significant.

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Specifically, for bank borrowings which contain a repayment on demand clause which can be exercised at the banks' sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lender were to invoke their unconditional rights to call the loans with immediate effect.

	<b>Repayable on demand</b>	<b>Less than 1 year</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At 31 December 2015</b>			
Trade payables	—	33,082	33,082
Other payables and accruals	—	6,962	6,962
Amounts due to related parties	29,309	—	29,309
Bank borrowings - principal portion	20,628	—	20,628
	<u>49,937</u>	<u>40,044</u>	<u>89,981</u>

	<b>Repayable on demand</b>	<b>Less than 1 year</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At 31 December 2016</b>			
Trade payables	—	53,182	53,182
Other payables and accruals	—	3,272	3,272
Amounts due to related parties	22,382	—	22,382
Bank borrowings - principal portion	12,326	—	12,326
	<u>34,708</u>	<u>56,454</u>	<u>91,162</u>

	<b>Repayable on demand</b>	<b>Less than 1 year</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At 31 December 2017</b>			
Trade payables	—	55,632	55,632
Other payables and accruals	—	3,828	3,828
Bank borrowings - principal portion	5,000	—	5,000
	<u>5,000</u>	<u>59,460</u>	<u>64,460</u>

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The table below analyses the bank borrowings of the Group into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date without taking into consideration the effect of repayment on demand clause.

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Less than 1 year</b>			
Bank borrowings			
- principal portion	20,628	12,326	5,000
- interest portion	<u>754</u>	<u>434</u>	<u>319</u>
	<u><u>21,382</u></u>	<u><u>12,760</u></u>	<u><u>5,319</u></u>

**3.2 Capital management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders or sell assets to reduce debt.

The Group monitors capital on the basis of the total debt to total capital ratio. Total debt represents total borrowings. Total capital represents total equity, as shown in the consolidated balance sheets. The total debt to total capital ratios at 31 December 2015, 2016 and 2017 were as follows:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total borrowings	20,628	12,326	5,000
Total equity	<u>23,200</u>	<u>45,271</u>	<u>86,359</u>
Total debt to total capital ratio	<u><u>89%</u></u>	<u><u>27%</u></u>	<u><u>6%</u></u>

The decrease in total debt to total capital ratio from 89% as at 31 December 2015 to 27% as at 31 December 2016 was mainly due to the increase in total equity as a result of profit for the year then ended and decrease in total borrowings as a result of repayment of borrowings. The decrease in total debt to total capital ratio from 27% as at 31 December 2016 to 6% as at 31 December 2017 was mainly due to the increase in total equity as a result of profit or the year then ended and from the group reorganisation and decrease in total borrowings as a result of repayment of borrowings.



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**3.3 Fair value estimation**

The following table presents the Group's financial instruments carried at fair value as at 31 December 2015, 2016 and 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

**At 31 December 2015**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Assets</b>				
<b>Financial assets at fair value through profit or loss</b>				
Listed equity securities	2,169	—	—	2,169
Unlisted financial products	—	10,500	—	10,500
	<u>2,169</u>	<u>10,500</u>	<u>—</u>	<u>12,669</u>

**At 31 December 2016**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Assets</b>				
<b>Financial assets at fair value through profit or loss</b>				
Listed equity securities	754	—	—	754
Unlisted financial products	—	19,500	—	19,500
	<u>754</u>	<u>19,500</u>	<u>—</u>	<u>20,254</u>

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**At 31 December 2017**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Assets</b>				
<b>Financial assets at fair value through profit or loss</b>				
Listed equity securities	—	—	—	—
Unlisted financial products	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

There were no transfers between levels 1, 2 and 3 during the years ended 31 December 2015, 2016 and 2017.

**(a) Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments listed on the Shenzhen Stock Exchange and Shanghai Stock Exchange classified as trading securities.

**(b) Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

These unlisted investments in level 2 represent investments in trust schemes and private investment funds. They have initial terms ranging from 1 to 14 days. The fair values of these investments approximated their carrying values as at 31 December 2015 and 2016. As at 31 December 2017, the Group had no unlisted investments.

#### **4 Critical accounting estimates and assumptions**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### ***4.1 Net realisable value of inventories***

Inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Management reassesses the estimation at the end of each reporting period.

##### ***4.2 Income taxes***

The Group is subject to income taxes mainly in Hong Kong and the PRC. Significant judgement is required in determining provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the periods in which such determination are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and tax expense in the periods in which such estimate is changed.

##### ***4.3 Impairment of receivables***

The Group makes provision for impairment of receivables based on an assessment of the recoverability of the receivables. Provisions are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of judgment and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and loss for the impairment of receivables recognised in the years in which such estimates have been changed.

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**5 Revenue and segment information**

The Company is an investment holding company and its subsidiaries now comprising the Group are principally engaged in manufacturing of electronic products.

The CODM has been identified as the directors of the Company. The directors review the Group's internal reporting in order to assess performance and allocate resources. The directors have determined the operating segment based on these reports.

The directors consider the Group's operation from a business perspective and determine that the Group has one reportable operating segment being electronics manufacturing services ("EMS").

The directors assess the performance of the operating segment based on a measure of revenue and gross profit.

**(a) Revenue from major customers who have individually contributed to 10% or more of the total revenue of the Group**

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Customer A	<u>49,307</u>	<u>N/A*</u>	<u>N/A*</u>
Customer B	<u>31,169</u>	<u>110,019</u>	<u>166,057</u>
Customer C	<u>21,947</u>	<u>N/A*</u>	<u>N/A*</u>
Customer D	<u>19,066</u>	<u>48,066</u>	<u>61,544</u>
Customer E	<u>N/A*</u>	<u>29,737</u>	<u>N/A*</u>

\* The corresponding customers did not contribute over 10% of the total revenue of the Group for the respective years.

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**(b) Segment revenue by customers' geographical location**

The Group is domiciled in the PRC. The Group's revenue by geographical location, which is determined by the location of customers, is as follows:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
The PRC	145,676	219,183	333,650
Hong Kong	8,962	3,898	38
The United States of America ("USA")	6,340	37,488	6,828
Mexico	—	—	16,502
Others (Note)	21,947	7,321	13,144
	<u>182,925</u>	<u>267,890</u>	<u>370,162</u>

*Note:* Others include South Korea, Taiwan, Spain and Austria.

**(c) Non-current assets by geographical location**

All of the Group's non-current assets other than deferred tax assets and intangible assets are located in the PRC.

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**6 Expenses by nature**

Expenses included in cost of sales, selling and distribution expenses and administrative expenses are analysed as follows:

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of raw materials used	73,782	166,036	239,449
Consumables	3,171	5,471	3,464
Subcontracting charges	2,527	600	22,950
Employee benefit expenses and manpower services expenses, including directors' emoluments (Notes 9 and 30)	56,370	47,468	34,980
Operating lease rentals in respect of:			
- machinery	4,223	1,476	8,658
- offices, warehouses, production plant and staff quarters	2,709	2,612	2,700
Utilities	4,194	3,169	3,226
Amortisation (Note 14)	42	42	361
Depreciation (Note 13)	8,743	4,883	2,337
Auditor's remuneration			
- Audit services (excluding [REDACTED] expenses)	6	7	6
- Non-audit services	—	—	—
[REDACTED] expenses	—	—	[REDACTED]
Professional fees	136	234	221
Office expenses	414	360	337
Provision for inventories (Note 17)	229	967	1,072
Other tax and surcharges	1,227	1,376	2,079
Transportation	873	1,633	2,114
Others	3,688	3,508	8,166
	<u>162,334</u>	<u>239,842</u>	<u>337,762</u>
Total cost of sales, selling and distribution and administrative expenses	<u>162,334</u>	<u>239,842</u>	<u>337,762</u>

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**7 Other income**

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	93	655	828
Dividend income on financial assets at fair value through profit or loss	—	39	—
	<u>93</u>	<u>694</u>	<u>828</u>

**8 Other (losses)/gains, net**

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Exchange differences	(406)	(944)	435
Net realised and unrealised gains/(losses) on financial assets at fair value through profit or loss	269	(168)	61
Gain on disposal of properties, plant and equipment	5	129	727
	<u>(132)</u>	<u>(983)</u>	<u>1,223</u>

**9 Employee benefit expenses and manpower service expenses, including directors' emoluments**

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Wages and salaries	27,348	30,633	29,368
Pension costs - defined contribution plans (Note a)	3,058	1,762	1,951
Other staff welfares	1,270	143	157
	<u>31,676</u>	<u>32,538</u>	<u>31,476</u>
Total employee benefit expenses (including directors' remunerations)	31,676	32,538	31,476
Manpower service expenses (Note b)	24,694	14,930	3,504
	<u>56,370</u>	<u>47,468</u>	<u>34,980</u>

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*(a) Pensions — defined contribution plans*

*The PRC*

As stipulated under the relevant rules and regulations in the PRC, the subsidiary operating in the PRC contributes to state-sponsored retirement plans for its employees. For the years ended 31 December 2015, 2016 and 2017, depending on the provinces of the employees' registered residences and their current region of work, the subsidiary contributed certain percentages of the basic salaries of its employees and had no further obligations for the actual payment of pensions or postretirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

*(b) Manpower service expenses*

During the years ended 31 December 2015, 2016 and 2017, the Group entered into certain manpower service arrangements with several external manpower service organisations in the PRC. Under these arrangements, certain of the Group's manpower requirements were fulfilled by these organisations at agreed service fees whereas the human resources provided were directly employed by the relevant service organisations. The individuals providing services to the Group do not have any employment relationship with the Group.

*(c) Five highest paid individuals*

The five individuals whose emoluments were the highest in the Group include two, three and three directors for the years ended 31 December 2015, 2016 and 2017, respectively, whose emoluments are reflected in the analysis presented in Note 30. The emoluments payable to the remaining three, two and two individuals for the years ended 31 December 2015, 2016 and 2017 are as follows:

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Wages and salaries	496	855	1,095
Pension costs — defined contribution plans	108	66	127
	<u>604</u>	<u>921</u>	<u>1,222</u>



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The emoluments fell within the following bands:

	<b>Number of individuals</b>		
	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Emolument bands			
Not more than HK\$500,000	3	—	—
HK\$500,001 - HK\$1,000,000	<u>—</u>	<u>2</u>	<u>2</u>
	<u>3</u>	<u>2</u>	<u>2</u>

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

**10 Finance costs, net**

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Finance income</b>			
Interest income on cash and cash equivalents	<u>24</u>	<u>32</u>	<u>99</u>
<b>Finance costs</b>			
Interest expense on borrowings	(1,830)	(950)	(615)
Bank charges	<u>(152)</u>	<u>(148)</u>	<u>(185)</u>
	<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>

**11 Income tax expense**

During the years ended 31 December 2015, 2016 and 2017, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit.

During the year ended 31 December 2015, the Group's subsidiary in the PRC is subject to corporate income tax ("CIT") at a standard rate of 25%.

During the year ended 31 December 2016 and 2017, the Group's subsidiary in the PRC has qualified for new/high-tech technology enterprises status and is therefore subject to a preferential income tax rate of 15%.

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	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current income tax</b>			
- PRC CIT	4,029	3,378	4,724
- Hong Kong profits tax	215	262	414
	<u>4,244</u>	<u>3,640</u>	<u>5,138</u>
<b>Total current income tax</b>	4,244	3,640	5,138
<b>Deferred income tax</b> (Note 22)	358	972	101
	<u>358</u>	<u>972</u>	<u>101</u>
<b>Income tax expense</b>	4,602	4,612	5,239
	<u>4,602</u>	<u>4,612</u>	<u>5,239</u>

The taxation on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of subsidiaries now comprising the Group as follows:

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	18,594	26,693	33,750
Tax calculated at tax rates applicable to profits of the respective subsidiaries	4,530	4,028	5,031
Tax effect of:			
Income not subject to tax	(28)	—	—
Expenses not deductible for tax purpose	116	233	894
Re-measurement of deferred tax — change in the tax status of the PRC subsidiary	—	863	—
Tax exemption and rebate	(16)	(512)	(686)
	<u>(16)</u>	<u>(512)</u>	<u>(686)</u>
<b>Income tax expense</b>	4,602	4,612	5,239
	<u>4,602</u>	<u>4,612</u>	<u>5,239</u>

The changes in the weighted average applicable tax rate were mainly due to the changes in the proportion of the taxable profit under Hong Kong profits tax and CIT which were subject to different applicable tax rates.

During the year ended 31 December 2016, as a result of the Group's subsidiary in the PRC qualifying for new/high-tech technology enterprises status, the relevant deferred tax balances have been re-measured. Deferred tax expected to reverse after the year ended 31 December 2016 has been measured using the effective tax rate of 15%.

**12 Earnings per share**

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period.

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In determining the weighted average number of ordinary shares deemed to be in issue during the Track Record Period, 480 ordinary shares, being the number of issued ordinary shares of the Company as at 31 December 2017, were deemed to have been issued and allocated on 1 January 2015 as if the Company has been incorporated by then. In addition, the aforementioned 480 ordinary shares has been adjusted to 408 ordinary shares, being the number of ordinary shares owned from the controlling shareholder's perspective, and applied retrospectively for the proportional changes in the number of ordinary shares with corresponding change in resources as a result of the issuance of ordinary shares by the Company as part of the group reorganisation described in note 1.2 (g) when computing the basic and diluted earnings per share for each year of the Track Record Period.

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to owners of the Company (RMB'000)	13,992	22,081	28,511
Weighted average number of ordinary shares in issue	408	408	456
Basic and diluted earnings per share (RMB'000)	34	54	63

There was no differences between the basic and diluted earnings per share as there were no potential dilutive ordinary shares outstanding during the Track Record Period.

The earnings per share has not taken into account the proposed [REDACTED] pursuant to the shareholders' resolution dated [Date] because the proposed [REDACTED] has not been effected as at the date of this report.

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**13 Properties, plant and equipment**

	<b>Buildings</b>	<b>Furniture and fixtures</b>	<b>Office equipment</b>	<b>Plant and machinery</b>	<b>Motor vehicles</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At 1 January 2015</b>						
Cost	6,015	904	704	86,622	1,461	95,706
Accumulated depreciation	(381)	(578)	(394)	(70,804)	(1,031)	(73,188)
Net book amount	<u>5,634</u>	<u>326</u>	<u>310</u>	<u>15,818</u>	<u>430</u>	<u>22,518</u>
<b>Year ended 31 December 2015</b>						
Opening net book amount	5,634	326	310	15,818	430	22,518
Additions	—	—	1,078	981	84	2,143
Depreciation	(301)	(169)	(250)	(7,906)	(128)	(8,754)
Disposals	—	—	—	(44)	—	(44)
Closing net book amount	<u>5,333</u>	<u>157</u>	<u>1,138</u>	<u>8,849</u>	<u>386</u>	<u>15,863</u>
<b>At 31 December 2015</b>						
Cost	6,015	904	1,782	87,556	1,545	97,802
Accumulated depreciation	(682)	(747)	(644)	(78,707)	(1,159)	(81,939)
Net book amount	<u>5,333</u>	<u>157</u>	<u>1,138</u>	<u>8,849</u>	<u>386</u>	<u>15,863</u>
<b>Year ended 31 December 2016</b>						
Opening net book amount	5,333	157	1,138	8,849	386	15,863
Additions	—	—	80	649	—	729
Depreciation	(301)	(94)	(348)	(4,046)	(152)	(4,941)
Disposals	—	(22)	(17)	(286)	(17)	(342)
Closing net book amount	<u>5,032</u>	<u>41</u>	<u>853</u>	<u>5,166</u>	<u>217</u>	<u>11,309</u>

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	<b>Buildings</b>	<b>Furniture and fixtures</b>	<b>Office equipment</b>	<b>Plant and machinery</b>	<b>Motor vehicles</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At 31 December 2016</b>						
Cost	6,015	503	1,696	87,384	1,385	96,983
Accumulated depreciation	(983)	(462)	(843)	(82,218)	(1,168)	(85,674)
Net book amount	<u>5,032</u>	<u>41</u>	<u>853</u>	<u>5,166</u>	<u>217</u>	<u>11,309</u>
<b>Year ended 31 December 2017</b>						
Opening net book amount	5,032	41	853	5,166	217	11,309
Additions	—	—	988	3,686	615	5,289
Depreciation	(301)	(17)	(369)	(1,519)	(152)	(2,358)
Disposals	—	—	(4)	(383)	—	(387)
Closing net book amount	<u>4,731</u>	<u>24</u>	<u>1,468</u>	<u>6,950</u>	<u>680</u>	<u>13,853</u>
<b>At 31 December 2017</b>						
Cost	6,015	484	2,488	78,863	2,000	89,850
Accumulated depreciation	(1,284)	(460)	(1,020)	(71,913)	(1,320)	(75,997)
Net book amount	<u>4,731</u>	<u>24</u>	<u>1,468</u>	<u>6,950</u>	<u>680</u>	<u>13,853</u>

During the years ended 31 December 2015, 2016 and 2017, depreciation expenses of RMB429,000, RMB449,000 and RMB495,000 have been charged in administrative expenses; RMB77,000, RMB93,000 and RMB122,000 have been charged in selling expenses; RMB8,237,000, RMB4,341,000 and RMB1,720,000 have been charged in cost of sales; and RMB11,000, RMB58,000 and RMB21,000 have been included in inventories.

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**14 Intangible assets**

	<b>System software RMB'000</b>
<b>At 1 January 2015</b>	
Cost	111
Accumulated amortisation	<u>(69)</u>
Net book amount	<u><u>42</u></u>
<b>Year ended 31 December 2015</b>	
Opening net book amount	42
Amortisation (Note 6)	<u>(42)</u>
Closing net book amount	<u><u>—</u></u>
<b>At 31 December 2015</b>	
Cost	111
Accumulated amortisation	<u>(111)</u>
Net book amount	<u><u>—</u></u>
<b>Year ended 31 December 2016</b>	
Opening net book amount	—
Additions	1,762
Amortisation (Note 6)	<u>(42)</u>
Closing net book amount	<u><u>1,720</u></u>
<b>At 31 December 2016</b>	
Cost	1,873
Accumulated amortisation	<u>(153)</u>
Net book amount	<u><u>1,720</u></u>

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	<b>System software RMB'000</b>
<b>At 1 January 2017</b>	
Cost	1,873
Accumulated amortisation	<u>(153)</u>
Net book amount	<u><u>1,720</u></u>
<b>Year ended 31 December 2017</b>	
Opening net book amount	1,720
Additions	119
Amortisation (Note 6)	<u>(361)</u>
Closing net book amount	<u><u>1,478</u></u>
<b>At 31 December 2017</b>	
Cost	1,881
Accumulated amortisation	<u>(403)</u>
Net book amount	<u><u>1,478</u></u>

During the years ended 31 December 2015, 2016 and 2017, amortisation expenses of RMB42,00, RMB13,000 and RMB51,000 have been charged in administrative expenses; and Nil, RMB29,000 and RMB310,000 have been charged in cost of sales.

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**15 Financial instruments by category**

	<b>Loans and receivables</b>	<b>Assets at fair value through profit or loss</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2015</b>			
<b>Assets as per balance sheets</b>			
Financial assets at fair value through profit or loss (Note 18)	—	12,669	12,669
Trade and bills receivables (Note 20)	52,987	—	52,987
Deposits and other receivables (Note 16)	2,052	—	2,052
Amount due from a related party (Note 28)	2,530	—	2,530
Pledged bank deposits (Note 19)	615	—	615
Cash and cash equivalents (Note 19)	28,901	—	28,901
	<u>87,085</u>	<u>12,669</u>	<u>99,754</u>
<b>31 December 2016</b>			
<b>Assets as per balance sheets</b>			
Financial assets at fair value through profit or loss (Note 18)	—	20,254	20,254
Trade and bills receivables (Note 20)	80,730	—	80,730
Deposits and other receivables (Note 16)	1,752	—	1,752
Amount due from a related party (Note 28)	4,000	—	4,000
Pledged bank deposits (Note 19)	1,490	—	1,490
Cash and cash equivalents (Note 19)	21,241	—	21,241
	<u>109,213</u>	<u>20,254</u>	<u>129,467</u>
<b>31 December 2017</b>			
<b>Assets as per balance sheets</b>			
Trade and bills receivables (Note 20)	71,090	—	71,090
Deposits and other receivables (Note 16)	5,489	—	5,489
Cash and cash equivalents (Note 19)	53,134	—	53,134
	<u>129,713</u>	<u>—</u>	<u>129,713</u>



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**Financial liabilities at amortised cost**  
*RMB'000*

**31 December 2015**

**Liabilities as per balance sheets**

Trade payables (Note 23)	33,082
Other payables and accruals (Note 24)	6,962
Amounts due to related parties (Note 28)	29,309
Bank borrowings (Note 25)	<u>20,628</u>
	<u>89,981</u>

**31 December 2016**

**Liabilities as per balance sheets**

Trade payables (Note 23)	53,182
Other payables and accruals (Note 24)	3,272
Amounts due to related parties (Note 28)	22,382
Bank borrowings (Note 25)	<u>12,326</u>
	<u>91,162</u>

**31 December 2017**

**Liabilities as per balance sheets**

Trade payables (Note 23)	55,632
Other payables and accruals (Note 24)	3,828
Bank borrowings (Note 25)	<u>5,000</u>
	<u>64,460</u>

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**16 Prepayments, deposits and other receivables**

**The Group**

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current</b>			
Prepayments	821	2,321	3,851
Deposits (Note a)	772	416	4,815
Other receivables (Note a and b)	1,280	1,336	674
Prepaid [REDACTED] expenses (Note c)	<u>—</u>	<u>—</u>	<u>[REDACTED]</u>
	2,873	4,073	10,826
<b>Non-current</b>			
Deposits	<u>(394)</u>	<u>(336)</u>	<u>(401)</u>
	<u>2,479</u>	<u>3,737</u>	<u>10,425</u>

**The Company**

	<b>As at 31 December 2017 <i>RMB'000</i></b>
<b>Current</b>	
Prepaid [REDACTED] expenses (Note c)	<u>[REDACTED]</u>

*Notes:*

- (a) As at 31 December 2015, 2016 and 2017, the carrying amounts of deposits and other receivables approximated their fair values.
- (b) The amounts were unsecured, interest free and repayable on demand.
- (c) The prepaid [REDACTED] expenses are incurred in connection with the [REDACTED] of the Group and will be deducted from equity upon the [REDACTED] of the Group.

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The carrying amounts of the Group's prepayments, deposits and other receivables were denominated in the following currencies:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	2,830	2,034	7,857
USD	38	2,035	31
HK\$	<u>5</u>	<u>4</u>	<u>2,938</u>
	<u>2,873</u>	<u>4,073</u>	<u>10,826</u>

The carrying amount of the Company's prepayments was denominated in the following currencies:

	<b>As at</b>
	<b>31 December</b>
	<b>2017</b>
	<i>RMB'000</i>
RMB	174
USD	24
HK\$	<u>1,288</u>
	<u>1,486</u>

**17 Inventories**

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials	13,811	13,111	25,477
Work in progress	2,550	2,672	982
Finished goods	<u>5,782</u>	<u>5,823</u>	<u>4,990</u>
	<u>22,143</u>	<u>21,606</u>	<u>31,449</u>

The cost of inventories recognised as expense and included in cost of sales during the years ended 31 December 2015, 2016 and 2017 amounted to RMB147,107,000, RMB218,985,000 and RMB308,439, respectively, which included inventory provision amounting to RMB229,000, RMB967,000 and RMB1,072,000, respectively.

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**18 Financial assets at fair value through profit or loss**

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Listed equity securities — held-for-trading			
— PRC (note a)	2,169	754	—
Unlisted financial products — held-for-trading			
— PRC (note b)	<u>10,500</u>	<u>19,500</u>	<u>—</u>
	<u><u>12,669</u></u>	<u><u>20,254</u></u>	<u><u>—</u></u>

Purchase and disposal of financial assets at fair value through profit or loss are presented within investing activities in the consolidated statements of cash flows.

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'other gains/(losses), net' in the consolidated income statements (Note 8).

**(a) Listed equity securities — held-for-trading**

Amount represented equity interest listed on the Shenzhen Stock Exchange and Shanghai Stock Exchange in the PRC. The fair value of all listed equity securities is based on their current bid prices in an active market. The fair value measurement of the listed equity securities is categorised within level 1 of the fair value hierarchy.

**(b) Unlisted financial products — held-for-trading**

Unlisted financial products are mainly investments in trust schemes and private investment funds. They have initial terms ranging from 1 to 14 days. The fair values of these investments approximated their carrying values as at 31 December 2015 and 2016. The fair value measurement of the unlisted financial products is categorised within level 2 of the fair value hierarchy.

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**ACCOUNTANT'S REPORT**

**19 Cash and cash equivalents and pledged bank deposits**

**The Group**

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at banks	29,434	22,569	53,032
Cash on hand	82	162	102
Less: pledged bank deposits	<u>(615)</u>	<u>(1,490)</u>	<u>—</u>
Cash and cash equivalents	<u>28,901</u>	<u>21,241</u>	<u>53,134</u>
Maximum exposure to credit risk	<u>29,434</u>	<u>22,569</u>	<u>53,032</u>

As at 31 December 2015 and 2016, deposits amounted to RMB615,000 and RMB1,490,000 respectively were pledged for the facilities granted by banks to the Group, details of which are set out in Note 25.

Cash and cash equivalents include the following for the purposes of the consolidated statements of cash flows:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents	<u>28,901</u>	<u>21,241</u>	<u>53,134</u>

The carrying amounts of the Group's cash and cash equivalents and pledged bank deposits are denominated in the following currencies:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	14,937	19,085	36,419
USD	14,500	3,591	7,015
HK\$	<u>79</u>	<u>55</u>	<u>9,700</u>
	<u>29,516</u>	<u>22,731</u>	<u>53,134</u>

Cash at banks earned interest at floating rates based on daily bank deposits rate. As at 31 December 2015, 2016 and 2017, the carrying amounts of cash and cash equivalents approximated their fair values.

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As at 31 December 2015, 2016 and 2017, cash and cash equivalent of the Group amounting to approximately RMB14,241,000, RMB17,611,000 and RMB39,296,000, respectively, are deposited with the banks in the PRC where the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the Government of the PRC.

**The Company**

Cash and cash equivalents represents cash at banks and denominated in HK\$.

**20 Trade and bills receivables**

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	47,292	69,663	61,490
Bills receivables	5,695	11,067	9,600
Less: allowance for impairment of trade and bills receivables	—	—	—
	<u>52,987</u>	<u>80,730</u>	<u>71,090</u>

As at 31 December 2015, 2016 and 2017, the carrying amounts of trade and bills receivables approximated their fair values.

The Group's sales are on credit terms primarily from 30 to 120 days.

As at 31 December 2015, 2016 and 2017, the aging analysis of trade and bills receivables, based on invoice date, was as follows:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
1 to 3 months	50,079	77,944	69,248
Over 3 months	2,908	2,786	1,842
	<u>52,987</u>	<u>80,730</u>	<u>71,090</u>

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As at 31 December 2015, 2016 and 2017, the aging analysis of trade and bills receivables, based on due date, was as follows:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current	48,025	71,367	62,684
1 to 3 months	4,903	7,886	6,564
Over 3 months	<u>59</u>	<u>1,477</u>	<u>1,842</u>
	<u><u>52,987</u></u>	<u><u>80,730</u></u>	<u><u>71,090</u></u>

As at 31 December 2015, 2016 and 2017, trade receivables of approximately RMB4,962,000, RMB9,363,000 and RMB8,406,000, respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables was as follows:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Past due but not impaired:			
- 1 to 3 months	4,903	7,886	6,564
- Over 3 months	<u>59</u>	<u>1,477</u>	<u>1,842</u>
	<u><u>4,962</u></u>	<u><u>9,363</u></u>	<u><u>8,406</u></u>

The carrying amounts of the Group's trade and bills receivables were denominated in the following currencies:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	52,874	75,842	67,462
USD	<u>113</u>	<u>4,888</u>	<u>3,628</u>
	<u><u>52,987</u></u>	<u><u>80,730</u></u>	<u><u>71,090</u></u>

The maximum exposure to credit risk as at 31 December 2015, 2016 and 2017 was the carrying value of the receivables mentioned above. The Group does not hold any collateral as security.

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**21 Share capital and share premium**

**The Group and the Company**

**Share Capital**

	<b>Number of shares</b>	<b>Nominal value HK\$</b>
Authorised:		
Ordinary shares of HK\$0.01	<u>38,000,000</u>	<u>380,000</u>
	<b>Number of shares</b>	<b>Nominal value HK\$</b>
Issued:		
At 15 March 2017 (date of incorporation) (Note 1.2(a))	340	3
Issue of ordinary shares on 18 May 2017 and 8 June 2017 (Note 1.2(g) & (j))	<u>140</u>	<u>1</u>
At 31 December 2017	<u>480</u>	<u>4</u>

On 15 March 2017, 340 ordinary shares were issued at HK\$0.01. During the year ended 31 December 2017, 140 additional ordinary shares were issued at HK\$0.01 pursuant to the Group's Reorganisation as detailed in Note 1.2. As at 31 December 2017, total issued number and nominal value of ordinary shares of the Company amounted to 480 shares and HK\$4.8 respectively.

**Share Premium**

Share premium represents the excess of total cash consideration received from issuance of 40 ordinary shares on 18 May 2017, being HK\$13,860,000 (approximately RMB12,165,000), over their par value at HK\$0.01 as detailed in Note 1.2(g).



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**22 Deferred income tax**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority.

The analysis of deferred income tax assets is as follows:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets to be recovered after more than 12 months	406	618	279
Deferred tax asset to be recovered within 12 months	<u>1,752</u>	<u>568</u>	<u>806</u>
	<u>2,158</u>	<u>1,186</u>	<u>1,085</u>

The gross movement on the deferred income tax assets is as follows:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	2,516	2,158	1,186
Charged to consolidated income statements (Note 11)	<u>(358)</u>	<u>(972)</u>	<u>(101)</u>
At end of year	<u>2,158</u>	<u>1,186</u>	<u>1,085</u>

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The movement in deferred income tax assets during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

<b>Deferred tax assets</b>	<b>Tax depreciation</b>	<b>PRC accrued expenses</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2015	1,715	801	2,516
(Charged)/credited to the consolidated income statements	<u>(733)</u>	<u>375</u>	<u>(358)</u>
At 31 December 2015	982	1,176	2,158
Charged to the consolidated income statements	<u>(559)</u>	<u>(413)</u>	<u>(972)</u>
At 31 December 2016	423	763	1,186
(Charged)/credited to the consolidated income statements	<u>(118)</u>	<u>17</u>	<u>(101)</u>
At 31 December 2017	<u>305</u>	<u>780</u>	<u>1,085</u>

The Group had undistributed earnings of RMB11,173,000, RMB31,928,000 and RMB62,949,000 as at 31 December 2015, 2016 and 2017 respectively, which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from the PRC subsidiary and is not expected to distribute these profits in the foreseeable future.

**23 Trade payables**

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	<u>33,082</u>	<u>53,182</u>	<u>55,632</u>

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As at 31 December 2015, 2016 and 2017, the aging analysis of trade payables, based on invoice date, was as follows:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 month	7,502	17,430	24,467
1 to 2 months	8,946	21,295	13,976
2 to 3 months	1,258	6,482	11,183
Over 3 months	<u>15,376</u>	<u>7,975</u>	<u>6,006</u>
	<u><u>33,082</u></u>	<u><u>53,182</u></u>	<u><u>55,632</u></u>

The carrying amounts of the Group's trade payables were denominated in the following currencies:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	32,946	48,916	45,561
USD	<u>136</u>	<u>4,266</u>	<u>10,071</u>
	<u><u>33,082</u></u>	<u><u>53,182</u></u>	<u><u>55,632</u></u>

As at 31 December 2015, 2016 and 2017, the carrying amounts of trade payables approximated their fair values.

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**24 Receipts in advance, other payables and accruals**

**The Group**

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other payables	6,952	3,236	2,548
Other tax payables	5,417	8,548	5,743
Accruals	9,960	12,079	10,847
Accrued [REDACTED] expenses	—	—	[REDACTED]
Receipts in advance	<u>5,958</u>	<u>1,680</u>	<u>11,389</u>
	<u>28,287</u>	<u>25,543</u>	<u>31,089</u>

**The Company**

	<b>As at 31 December 2017</b>
	<i>RMB'000</i>
Accrued [REDACTED] expenses	<u>[REDACTED]</u>

As at 31 December 2015, 2016 and 2017, the carrying amounts of other payables, accruals and receipts in advance approximated their fair values. They were unsecured, interest free and repayable on demand.

The carrying amounts of the Group's receipts in advance, other payables and accruals were denominated in the following currencies:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	22,952	24,291	22,713
USD	5,325	1,241	8,067
HK\$	<u>10</u>	<u>11</u>	<u>309</u>
	<u>28,287</u>	<u>25,543</u>	<u>31,089</u>

The carrying amounts of the Company's accruals were denominated in RMB.

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**25 Bank borrowings**

Bank borrowings are analysed as follows:

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Borrowings due for repayment within one year — secured	18,050	12,326	5,000
Trade financing due for repayment within one year — secured	<u>2,578</u>	<u>—</u>	<u>—</u>
	<u>20,628</u>	<u>12,326</u>	<u>5,000</u>

As at 31 December 2015, the Group's bank borrowings were carried at floating rate ranged from 4.5% to 8.1% per annum. As at 31 December 2016, the Group's bank borrowings were carried at floating rate ranged from 5.7% to 6.3% per annum. As at 31 December 2017, the Group's borrowings loans were carried at floating rate ranged from at 5.7% to 6.6% per annum.

As at 31 December 2015, 2016 and 2017, the carrying amounts of the borrowings approximated their fair values.

As at 31 December 2015, the above borrowings are secured by properties, plant and equipment with carrying amounts of RMB7,597,000; trade receivables with carrying amounts of RMB2,578,000; inventories with carrying amounts of RMB2,050,000; pledged bank deposits with carrying amounts of RMB615,000; personal guarantee from Mr. Ma and Ms. Cheng Lihong; and corporate guarantee from a related company.

As at 31 December 2016, the above borrowings are secured by properties, plant and equipment with carrying amounts of RMB5,391,000; inventories with carrying amounts of RMB4,326,000; pledged bank deposits with carrying amounts of RMB1,490,000; and personal guarantee from Mr. Ma and Ms. Cheng Lihong.

As at 31 December 2017, the above borrowings are secured by properties, plant and equipment with carrying amounts of RMB4,731,000 and personal guarantee from Mr. Ma.

As at 31 December 2017, the personal guarantee provided by Ms. Chen Lihong remains in place but no bank borrowings were drawn from the corresponding bank facilities.

The personal guarantee provided by Mr. Ma and Ms. Cheng Lihong will be replaced by corporate guarantee provided by the Company upon [REDACTED].

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At 31 December 2015, 2016 and 2017, the Group's bank borrowings were repayable as follows:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year or on demand	<u>20,628</u>	<u>12,326</u>	<u>5,000</u>

The carrying amounts of the Group's bank borrowings are denominated in RMB.

**26 Notes to the consolidated statements of cash flows**

**(a) Reconciliation of profit before income tax for the Track Record Period to net cash generated from operations**

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit before income tax</b>	18,594	26,693	33,750
Adjustments for:			
Finance income	(24)	(32)	(99)
Finance expenses	1,982	1,098	800
Depreciation	8,743	4,883	2,337
Amortisation	42	42	361
Provision for inventories	229	967	1,072
Net realised and unrealised (gains)/losses on financial assets at fair value through profit or loss	(269)	168	(61)
Gain on disposal of properties, plant and equipment	(5)	(129)	(742)
Dividend income on financial assets at fair value through profit or loss	<u>—</u>	<u>(39)</u>	<u>—</u>
	29,292	33,651	37,418
Changes in working capital:			
- Trade and bills receivables	13,809	(27,561)	9,447
- Prepayments, deposits and other receivables	(1,659)	(1,111)	(5,568)
- Inventories	(21,319)	(372)	(10,894)
- Trade payables	13,540	20,745	2,130
- Receipts in advance, other payables and accruals	<u>3,380</u>	<u>(2,926)</u>	<u>5,716</u>
Net cash generated from operations	<u>37,043</u>	<u>22,426</u>	<u>38,249</u>

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(b) *In the consolidated statements of cash flows, proceeds from disposal of properties, plant and equipment comprise:*

	<b>Year ended 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net book amount disposed	44	342	387
Gain on disposal of properties, plant and equipment	5	129	742
	<u>49</u>	<u>471</u>	<u>1,129</u>
Proceeds from disposal of properties, plant and equipment	<u>49</u>	<u>471</u>	<u>1,129</u>

(c) *The reconciliations of liabilities arising from financing activities is as follows:*

	<b>Amounts due to related parties</b>	<b>Bank borrowings</b>
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2015	37,753	17,165
Cash flows		
- Proceeds from bank borrowings	—	78,830
- Repayment of bank borrowings	—	(75,367)
- Proceeds from amounts due to related parties	319	—
- Repayment of amounts due to related parties	(10,113)	—
- Currency translation differences	1,350	—
	<u>29,309</u>	<u>20,628</u>
At 31 December 2015	29,309	20,628
Cash flows		
- Proceeds from bank borrowings	—	21,088
- Repayment of bank borrowings	—	(29,390)
- Proceeds from amounts due to related parties	2,200	—
- Repayment of amounts due to related parties	(10,096)	—
- Currency translation differences	969	—
	<u>22,382</u>	<u>12,326</u>
At 31 December 2016	22,382	12,326
Cash flows		
- Proceeds from bank borrowings	—	14,316
- Repayment of bank borrowings	—	(21,642)
- Proceeds from amounts due to related parties	8,130	—
- Repayment of amounts due to related parties	(29,716)	—
- Currency translation differences	(796)	—
	<u>—</u>	<u>5,000</u>
At 31 December 2017	<u>—</u>	<u>5,000</u>

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**27 Commitments**

*(a) Capital commitments*

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for	<u>—</u>	<u>663</u>	<u>—</u>

*(b) Operating lease commitments*

At 31 December 2015, 2016 and 2017, the total future minimum lease payments under non-cancellable operating leases in respect of offices, warehouses, production plant and staff quarters are payable as follows:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	1,563	2,558	7,635
After 1 year and no later than 5 years	<u>10,689</u>	<u>7,186</u>	<u>5,542</u>
	<u>12,252</u>	<u>9,744</u>	<u>13,177</u>

**28 Related party transactions**

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

The ultimate holding company and controlling shareholders are disclosed in Note 1.1.



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Major related parties that had transactions with the Group during the Track Record Period were as follows:

Related parties	Relationship with the Company		
	As at 31 December		
	2015	2016	2017
Ma Fujun	Director and shareholder	Director and shareholder	Director and shareholder
Cheng Lihong	Shareholder	Shareholder	Shareholder
Chen Xiaoyuan	Director and shareholder	Director and shareholder	Director and shareholder
Cheng Bin	Director and shareholder	Director and shareholder	Director and shareholder
Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司) (formerly known as 深圳前海恒昌盛電子科技有限公司)	Controlled by a director	Controlled by a director	Controlled by a director
Shenzhen City Bao'an District Shajing Cewei Electronics Business Department* (深圳市寶安區沙井策為電子經營部)	Controlled by a director	Controlled by a director	Controlled by a director

**(a) Balances with related parties**

	As at 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Receivable from a company controlled by a director# 深圳市前海宇發科技有限公司	2,530	4,000	—
Payable to a director# Ma Fujun	(26,696)	(22,382)	—
Payable to a company controlled by a director# 深圳市寶安區沙井策為電子經營部	(2,613)	—	—

# Balances were unsecured, interest free and repayable within the next twelve months. Their carrying amounts approximate their fair values. These balances are not derived from operating activities.

\* For identification purpose only

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**(b) Transactions with related parties**

Save as disclosed elsewhere in the Historical Financial Information, during the Track Record Period, the following transactions were carried out with related parties at terms mutually agreed by both parties:

(i) Personal guarantee provided by Mr. Ma and Ms. Cheng Lihong

During the years ended 31 December 2015, 2016 and 2017, certain of the Group's bank loans were secured by personal guarantee from Mr. Ma and Ms. Cheng Lihong as set out in Note 25.

(ii) Corporate guarantee provided by a related company

During the year ended 31 December 2015 and 2016, certain of the Group's bank loans were secured by corporate guarantee from a related company as set out in Note 25. As at 31 December 2016, the corporate guarantee was released.

(iii) Corporate guarantee provided to a related company controlled by Mr. Ma

During the years ended 31 December 2015, 2016 and 2017, the subsidiary operating in the PRC has provided a corporate guarantee of RMB13,800,000 to a related company as set out in Note 30(d). As at 31 December 2017, the corporate guarantee was released.

**(c) Key management compensation**

Key management include directors compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December		
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Wages and salaries	465	1,738	2,373
Pension costs - defined contribution plan	111	122	219
Welfare and other expenses	—	—	—
	<u>576</u>	<u>1,860</u>	<u>2,592</u>

**29 Dividend**

No dividend has been paid or declared by the Company since its incorporation.

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**30 Benefits and interests of directors**

**(a) Directors' emoluments**

The remuneration of each director is set out below:

Name of Director	Fees <i>RMB'000</i>	Salary <i>RMB'000</i>	Discretionary bonus <i>RMB'000</i>	Allowances and benefits in kind <i>RMB'000</i>	Employer's contribution to pension scheme <i>RMB'000</i>	Total <i>RMB'000</i>
<b>For the year ended 31 December 2015</b>						
Directors						
- Ma Fujun	—	180	—	—	48	228
- Cheng Bin	—	120	39	—	32	191
- Chen Xiaoyuan	—	115	11	—	31	157
	—	415	50	—	111	576

Name of Director	Fees <i>RMB'000</i>	Salary <i>RMB'000</i>	Discretionary bonus <i>RMB'000</i>	Allowances and benefits in kind <i>RMB'000</i>	Employer's contribution to pension scheme <i>RMB'000</i>	Total <i>RMB'000</i>
<b>For the year ended 31 December 2016</b>						
Directors						
- Ma Fujun	—	182	550	—	47	779
- Cheng Bin	—	122	434	—	31	587
- Chen Xiaoyuan	—	177	241	—	42	460
	—	481	1,225	—	120	1,826

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Name of Director	Fees <i>RMB'000</i>	Salary <i>RMB'000</i>	Discretionary bonus <i>RMB'000</i>	Allowances and benefits in kind <i>RMB'000</i>	Employer's contribution to pension scheme <i>RMB'000</i>	Total <i>RMB'000</i>
<b>For the year ended 31 December 2017</b>						
Directors						
- Ma Fujun	—	360	500	—	73	933
- Cheng Bin	—	250	396	—	61	707
- Chen Xiaoyuan	—	250	206	—	66	522
	—	860	1,102	—	200	2,162

Mr. Ma Fujun, Mr. Cheng Bin and Ms. Chen Xiaoyuan were appointed as executive directors of the Company on 28 February 2018. Mr. Wu Chi-luen, Mr. Chow Kit Ting and Mr. Chan Chung Kik Lewis were appointed as non-executive directors of the Company on [date]. They were also directors of certain subsidiaries of the Company and/or employees of the Group during the Track Record Period and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group before their appointment as executive directors of the Company on [date].

[INED] were appointed as independent non-executive directors of the Company on [date]. During the Track Record Period, the independent non-executive directors have not yet been appointed and received nil directors' remuneration in the capacity of directors.

During the Track Record Period, none of the directors of the Company (i) received or paid any remuneration in respect of accepting office; (ii) received or paid emoluments in respect of services in connection with the management of the affairs of the Company or its subsidiaries undertaking; and (iii) waived or has agreed to waive any emolument.

**(b) Directors' retirement benefits and termination benefits**

During the Track Record Period, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable.

**(c) Consideration provided to third parties for making available directors' services**

During the Track Record Period, no consideration was provided to third parties for making available directors' services.

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(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

Name of the borrower	Nature of connection	Nature of guarantee or security	Maximum liability that may be incurred under the guarantee			Amounts/ Aggregate amounts paid or liability/ aggregate liabilities incurred during the financial year for the purpose of fulfilling the guarantee or discharging the security
			Individually in aggregate at the beginning of the year	Individually in aggregate at the end of the year	During the year	
			RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2015:						
Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司)	Controlled body corporate of Mr. Ma	Guarantee	—	13,800	13,800	—
For the year ended 31 December 2016:						
Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司)	Controlled body corporate of Mr. Ma	Guarantee	13,800	13,800	13,800	—
For the year ended 31 December 2017:						
Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司)	Controlled body corporate of Mr. Ma	Guarantee	13,800	—	13,800	—

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Except for guarantee provided by the Group to Shenzhen Qianhai Yufa Technology Company Limited\* (深圳市前海宇發科技有限公司) which was controlled by Mr. Ma, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities.

*(e) Directors' material interests in transactions, arrangements or contracts*

[Save as disclosed elsewhere in the Historical Financial Information, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Track Record Period or at any time during the Track Record Period.]

**31 Assets pledged as securities**

The carrying amounts of assets pledged as securities for current borrowings are:

	<b>As at 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current</b>			
<i>Floating charge</i>			
Pledged bank deposits	615	1,490	—
Trade receivables	2,578	—	—
Inventories	2,050	4,326	—
Total current assets pledged as security	<u>5,243</u>	<u>5,816</u>	<u>—</u>
<b>Non-current</b>			
<i>Floating charge</i>			
Properties, plant and equipment	7,597	5,391	4,731
Total non-current assets pledged as security	<u>7,597</u>	<u>5,391</u>	<u>4,731</u>
Total assets pledged as security	<u>12,840</u>	<u>11,207</u>	<u>4,731</u>

\* For identification purpose only

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**32 Interests in a subsidiaries**

	<b>As at 31 December 2017 RMB'000</b>
Equity investment at cost (Note a)	—
Amounts due from subsidiaries (Note b)	<u>19,949</u>
	<u><u>19,949</u></u>

*Note:*

- (a) The balance represents the Company's 100% interest amounting to 1 USD in Total United Holdings Limited as detailed in Note 1.2.
- (b) The amounts due from subsidiaries represent the purchase consideration for acquisition of Shenzhen Hengchang Sheng and Eternity Technology Limited, which the Company settled on behalf of Agreeable Company Limited and Total United Holdings Limited respectively. These amounts are unsecured, interest-free, with no fixed repayment terms. Settlement of these amounts are neither planned nor likely to occur the foreseeable future. As a result, these amounts are considered part of the Company's net investment in Agreeable Company Limited and Total United Holdings Limited.

**33 Amounts due from subsidiaries and amount due to a subsidiary**

Amounts due from subsidiaries and amount due to a subsidiary are unsecured, interest free and repayable on demand. Their carrying amounts approximated their fair values and were denominated in HK\$ and RMB, respectively.

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**34 Reserve movement of the Company**

	<b>Capital reserve</b>	<b>Exchange reserve</b>	<b>Total reserve</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At 15 March 2017 (Date of incorporation)</b>	—	—	—
<b>Other comprehensive losses</b>			
Currency translation differences	—	(187)	(187)
<b>Total other comprehensive losses</b>	—	(187)	(187)
<b>Transactions with owners</b>			
Capitalisation of loans from shareholders (Note (a) & Note 1.2(j))	19,692	—	19,692
<b>Total transactions with owners</b>	19,692	—	19,692
<b>At 31 December 2017</b>	19,692	(187)	19,505

*Note:*

- (a) During the year ended 31 December 2017, loans from shareholders amounting to HK\$22,640,000 (approximately RMB19,692,000) were capitalised in capital reserve.

**35 Subsequent events**

Pursuant to the written resolutions passed by the shareholders on [Date], conditional on the share premium account of the Company being credited as a result of the issue of the [REDACTED] by the Company pursuant to the [REDACTED], the directors were authorised to capitalise an amount of HK\$[REDACTED] standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par [REDACTED] shares, such shares to be allotted and issued to the shareholders whose names appear on the register of numbers of the Company at the close of business on [Date] (or as they may direct) in proportion to their then existing shareholdings in the Company, each ranking equally in all respects with the then existing issued shares.

**III SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of subsidiaries now comprising the Group in respect of any period subsequent to 31 December 2017. No dividend or distribution has been declared, made or paid by the Company or any of subsidiaries now comprising the Group in respect of any period subsequent to 31 December 2017.