

## SUMMARY

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

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

### OVERVIEW

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

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

#### Notes:

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

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

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

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

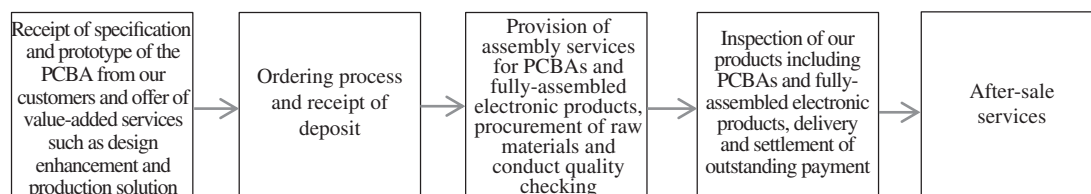
*Notes:*

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

## OUR BUSINESS MODEL

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

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



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

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

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

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

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

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

### OUR COMPETITIVE STRENGTHS

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

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

### COMPETITIVE LANDSCAPE AND MARKET SHARE

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

### OUR BUSINESS STRATEGIES

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

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

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### OUR PRODUCTION FACILITIES

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

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

*Note:*

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

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

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

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

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### OUR CUSTOMERS

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

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

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

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

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

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

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

### OUR SUPPLIERS

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

### ENTITIES WHO ARE OUR CUSTOMERS AND ALSO OUR SUPPLIERS

For each of the three years ended 31 December 2017 and the four months ended 30 April 2018, one customer, two customers, six customers and four customers were also our suppliers, respectively and our sales to these customers amounted to approximately RMB2.4 million, RMB42.7 million, RMB62.8 million and RMB16.9 million, respectively, which accounted for approximately 1.3%, 15.9%, 17.0% and 9.3%, respectively, of our total revenue. During the same period, our costs of sales of these customers amounted

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to approximately RMB2.0 million, RMB35.5 million, RMB52.4 million and RMB14.1 million, respectively, which accounted for approximately 1.4%, 16.1%, 16.9% and 9.2%, respectively, of our total cost of sales. Gross profit for the sale to these customers for each of the three years ended 31 December 2017 and the four months ended 30 April 2018 was approximately RMB0.4 million, RMB7.1 million, RMB10.4 million and RMB2.8 million, respectively. The gross profit margin for the sales to these customers for each of the three years ended 31 December 2017 and the four months ended 30 April 2018 was 18.0%, 16.7%, 16.6% and 16.3%, respectively, where as our overall gross profit margin for the corresponding period was 18.9%, 17.7%, 16.3% and 15.4%, respectively.

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

### **HISTORY, DEVELOPMENT AND REORGANISATION**

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

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

### **[REDACTED] INVESTMENT**

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

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

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

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

### **CONTROLLING SHAREHOLDERS**

Immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account the Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), our Company will be owned as to [REDACTED]% by Rich Blessing, which is owned as to 62.91%, 20.00%, 14.89% and 2.20% by Mr. Ma, Ms. Chen, Ms. Cheng Lihong and Mr. Cheng, respectively. Mr. Ma is the chairman of our Board, chief executive officer and executive Directors of our Company. Ms. Cheng Lihong is the spouse of Mr. Ma; and Mr. Cheng is the

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younger brother of Ms. Cheng Lihong and the brother-in-law of Mr. Ma. As Mr. Ma, Ms. Chen, Ms. Cheng Lihong and Mr. Cheng have decided to restrict their ability to exercise direct control over our Company by holding their interests through Rich Blessing and they have been and will continue to be parties acting in concert in respect of our Group, Mr. Ma, Ms. Chen, Ms. Cheng Lihong, Mr. Cheng and Rich Blessing are regarded as a group of Controlling Shareholders of our Company under the Listing Rules. If the parties cannot agree on the kind of voting rights to be exercised and how to exercise the voting rights on the relevant major issues, the parties unanimously agree to vote in accordance with the vote or direction of Mr. Ma. For further details, please refer to the section headed "Relationship with our Controlling Shareholders" in the document.

### KEY OPERATION AND FINANCIAL DATA

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

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

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

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

## SUMMARY

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

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

### Selected information extracted from consolidated balance sheets

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

### Selected information extracted from consolidated statements of cash flows

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

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



## SUMMARY

### KEY FINANCIAL RATIOS

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

*Notes:*

- (1) Current ratio is calculated by dividing current assets by current liabilities as at the respective year/period-end date.
- (2) Quick ratio is calculated by dividing current assets minus inventories by current liabilities as at the respective year/period-end date.
- (3) Gearing ratio is calculated by dividing total debts (being the total interest-bearing loans including banks borrowings) by total equity as at the respective year/period-end date.
- (4) Net debt to equity ratio is calculated by dividing net debts (being the total interest-bearing loans including banks borrowings less cash and cash equivalents and pledged bank deposits) by total equity as at the respective year/period-end date.
- (5) Return on assets ratio is calculated by dividing profit for the year/period by the total assets as at the respective year/period-end date.
- (6) Return on equity ratio is calculated by dividing profit for the year/period by the total equity as at the respective year/period-end date.
- (7) Interest coverage ratio is calculated by dividing profit before interest and tax by the finance expenses for the corresponding year/period.
- (8) Such ratio is not applicable as it is not comparable to annual numbers.

### DIVIDEND

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

### FUTURE PLANS AND PROPOSED USE OF [REDACTED]

We estimate that the aggregate [REDACTED] from the [REDACTED] to be received by us, after deducting [REDACTED] and estimated expenses paid and payable by our Company in connection thereto, to be approximately HK\$[REDACTED] million and the [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the proposed [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per Share. We currently intend to apply the [REDACTED] in the following manner:

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

## SUMMARY

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

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

[REDACTED]

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

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

### LITIGATION AND LEGAL COMPLIANCE

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

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

### RISK FACTORS

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

### [REDACTED] STATISTICS

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

## SUMMARY

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*Notes:*

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

### [REDACTED] EXPENSES

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

### RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

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

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

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

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

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